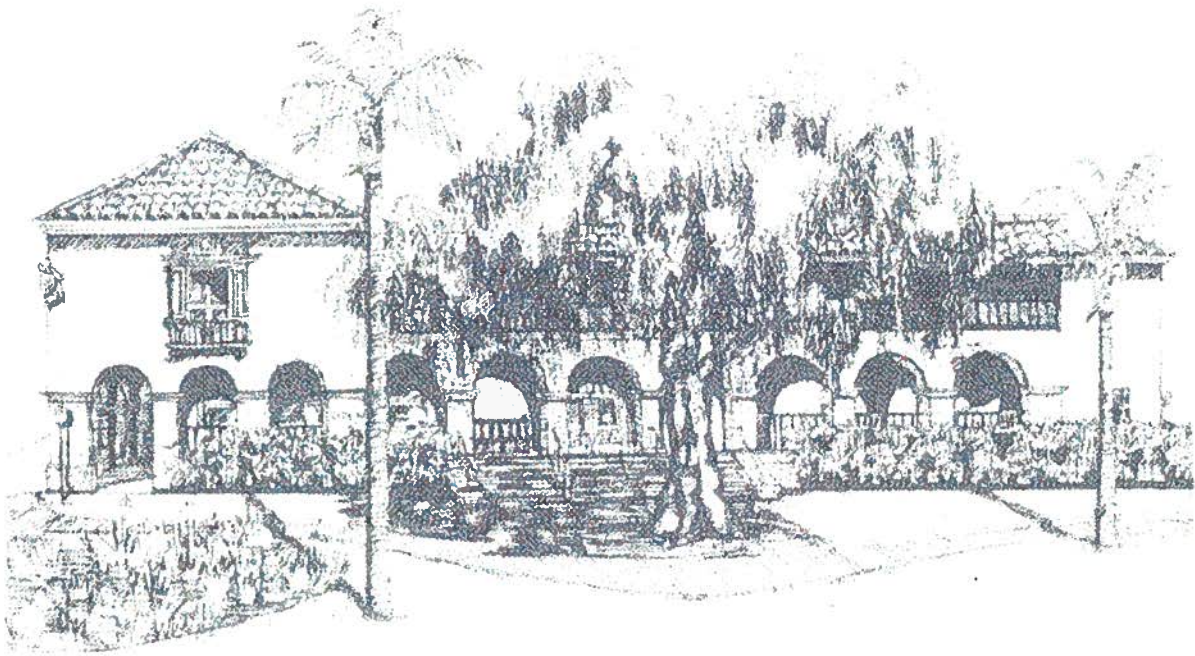


City of Santa Barbara California



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2011

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

Prepared Under the Supervision of

Robert Samario
Finance Director

Introductory Section

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 13, 2011

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Payroll

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Treasury

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Purchasing

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Environmental Services

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Santa Barbara, CA

93102-1990

Honorable Mayor, Members of the City Council, and Citizens of the City of Santa Barbara

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara for the fiscal year ended June 30, 2011, in accordance with Section 1219 of the City Charter. The report was prepared by the City's Finance Department and responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, rests with the City. To the best of our knowledge and belief, the information in the CAFR is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City.

This report consists of management's representations concerning the City finances. To provide a reasonable basis for making these representations, management established a comprehensive internal control framework designed both to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The City Charter requires an annual audit of the City's financial statements by an independent certified public accountant. Lance, Soll & Lunghard, LLP, has issued an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2011. The independent auditors' report is located on pages 11-12 within the financial section of this report. The CAFR has been prepared using the financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found beginning on page 13.

PROFILE OF THE CITY OF SANTA BARBARA

The City of Santa Barbara is located between the Santa Ynez Mountains and the Pacific Ocean. Santa Barbara offers year-round sunshine, miles of beaches, a colorful history dating back to the Chumash Indian tribes, a rich Spanish heritage, gourmet dining, and spectacular parks. It is often referred to as the American Riviera. The City was incorporated in August of 1850 and today serves a population of 89,253. The City provides a wide range of services to its citizens. These services include police and fire protection; construction and maintenance of highways, streets, traffic signals and infrastructure; community development; recreational activities and cultural events; parks; parking facilities; water; wastewater; library; airport; harbor; and a golf course.

The City also provides services through the Redevelopment Agency (RDA), which is a blended component unit of the City. The RDA is therefore included in the overall reporting entity presented in the accompanying CAFR. However the RDA remains separate from the City for all legal purposes and issues its own separate annual financial report. No

express or implied assumption by the City of any liability for the RDA is to be inferred by its inclusion in the CAFR. The RDA's separately issued CAFR is available on the City's web site at: www.SantaBarbaraCa.gov/government/finance/CAFR.

LOCAL ECONOMY

The local economy is dominated by industries supporting tourism. Restaurants, shops, hotels, wineries and other businesses are highly impacted by national, state and local economic trends affecting the number of visitors to our region. Consequently, the local economy has suffered significantly from the recent recession and general economic downturn.

Similarly, since several of the City's key revenues are derived from consumer spending and tourism, such as sales tax and transient occupancy tax (TOT) revenues, the economic decline of the last few years has significantly impacted the City.

Recently, the local economy has seen improvement. Most notably, the hotel industry saw an increased demand for rooms and conferences during fiscal year 2011. While many of the visitors into the area are from the region, such as southern California, there has been a strong representation of international travelers, especially European travelers capitalizing on the strong euro relative to the dollar. Industry experts have projected continued strong growth through 2012.

The retail sector has also been improving. Capped by a surprising 11.1% growth in sales tax revenues for the quarter ended June 30, 2011, retail sales for the fiscal year have been relatively strong. The increase in spending was aided by the arrival of new retail outlets, including an Apple store in the downtown area.

Unfortunately, the recent upswing in consumer spending and tourism is tempered by broader concerns due to external factors that could affect the U.S. economy and trickle down to the local level. For example, lingering high unemployment rates do not bode well in the short-term for a strong recovery. With approximately 70% of the national economy driven by consumer spending, unemployment levels will need to drop considerably for any economic recovery to take hold. The unemployment rate in the County of Santa Barbara of 8.6% is close to the national unemployment rate of 9%. In California, the rate is over 12%. These unemployment rates have remained high for the last few years and will likely remain high over the next year.

The European debt crisis, particularly in Greece and Italy, could have a rippling effect on the U.S. financial system and could also affect the recent economic upswing. How the crisis in Europe plays out could ultimately have an impact on our local economy.

Lastly, the inability of the US Congress to enact meaningful deficit controls and programs aimed at job creation will continue to create uncertainty in US financial markets which will likely result in lower levels of investment and slower economic growth. This political inaction is compounded in California by the State Legislature's inability to effectively deal with the State's long term structural budget deficit.

In summary, the local economy seems to be showing some signs of recovery. The question that will be answered in the next year will be to what extent the broader concerns and external factors affecting the U.S. and California economies will impact the recent recovery in Santa Barbara.

FINANCIAL CONTROLS

The City's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the City's assets are protected from loss, theft or misuse. The City's system of internal controls must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The City's system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's system of internal controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The City's internal controls are subject to periodic evaluation by the City's management.

Single Audit

As a recipient of federal assistance, the City is responsible for maintaining a system of internal controls that will ensure compliance with applicable laws and regulations related to those federal programs. As part of the City's federal single audit, tests are made to determine the adequacy of the internal controls, including that portion relating to federal financial assistance. The single audit also seeks to determine whether the City has complied with, in all material respects, all applicable laws and regulations that could have a direct or material effect on a major grant program. The single audit did not encounter any instances of non-compliance or material weaknesses in the City's internal controls over financial reporting.

Budgetary Controls

The City maintains budgetary controls designed to ensure compliance with the legal provisions contained in the annual budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the department level for the General Fund and at the fund level for all other legally adopted budgets.

The City maintains a formal, integrated encumbrance accounting system as one means of ensuring budgetary control. Purchase orders that would result in an overrun of department appropriations at a major object category level are not released until additional funds have been appropriated. Appropriations for encumbrances outstanding at year-end are carried over and re-appropriated in the following fiscal year.

OTHER INFORMATION

Spending Limitation

Article XIII B of the California Constitution, also known as the Gann spending limit, restricts the amount of "proceeds of taxes" California governments may spend. As of June 30, 2011, the City had not reached its Article XIII B spending limitation.

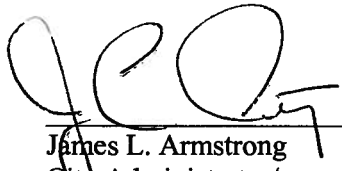
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Barbara California for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the Finance Department, in particular Ruby Carrillo, Accounting Manager, and Doug Smith, Senior Accountant, both of whom put in tremendous hours in the preparation of this report.

Respectfully submitted,



James L. Armstrong
City Administrator/
Clerk/Treasurer

Robert Samario
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Barbara
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sanison

President

Jeffrey R. Enen

Executive Director

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2011

Helene Schneider
Mayor

Grant R. House
Councilmember

Michael Self
Councilmember

Harwood "Bendy" White
Councilmember

Randy Rowse
Councilmember

Frank Hotchkiss
Councilmember

Dale Francisco
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Stephen P. Wiley
City Attorney

Robert Samario
Finance Director

Karen S. Ramsdell
Airport Director

Nancy L. Rapp
Parks and Recreation Director

Irene Macias
Library Director

Camerino Sanchez
Police Chief

Andrew DiMizio
Fire Chief

Paul A. Casey
Assistant City Administrator

Christine Andersen
Public Works Director

Marcelo Lopez
Assistant City Administrator

John N. Bridley
Waterfront Director

CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2011

Charter Boards and Commissions

Membership

Airport Commission	7
Architectural Board of Review	7
Civil Service Commission	5
Fire and Police Commission	5
Fire and Police Pension Commission	5
Harbor Commission	7
Historic Landmarks Commission	9
Library Board	5
Parks and Recreation Commission	7
Planning Commission	7
Water Commission	5

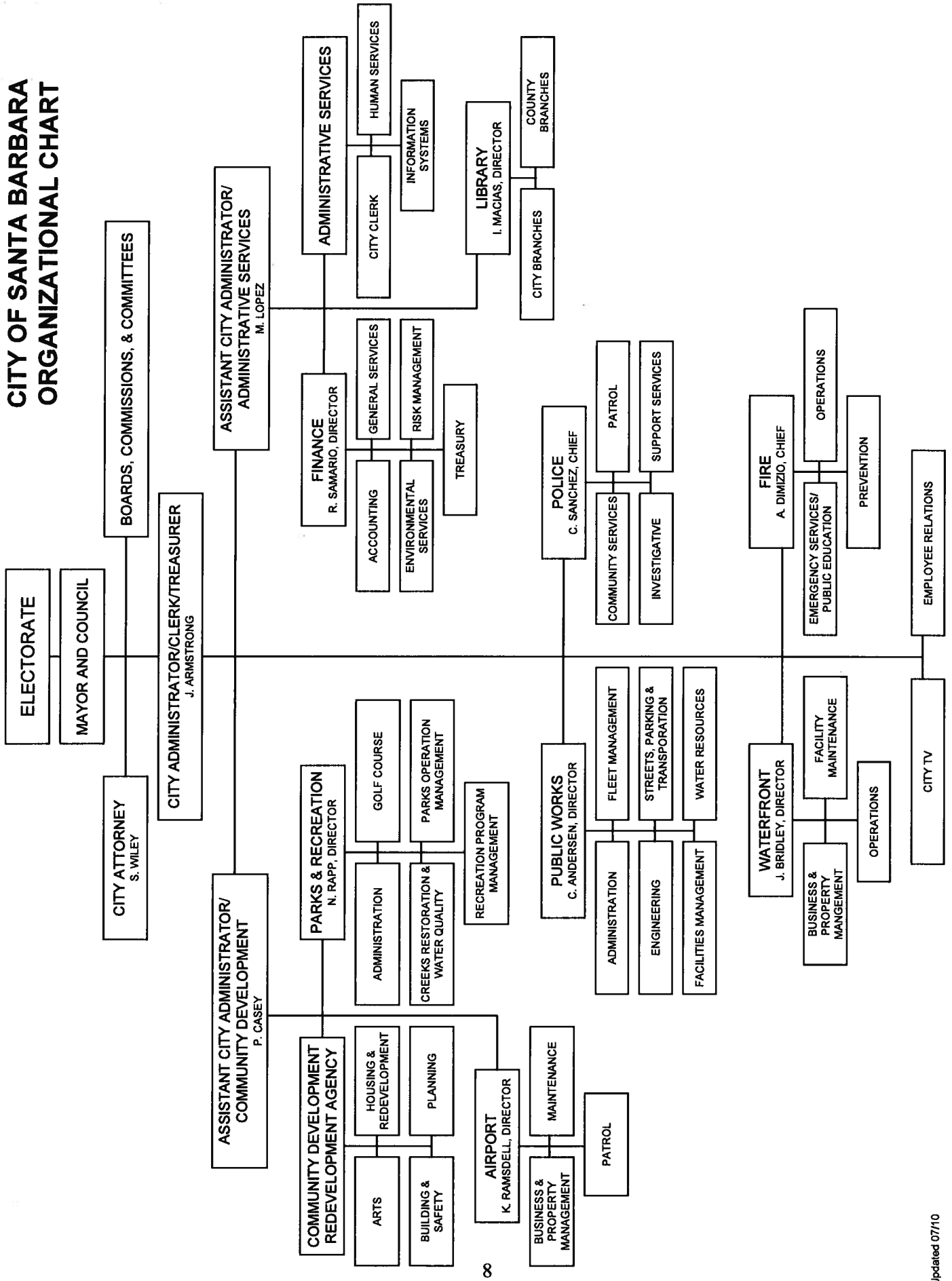
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Building and Fire Code Board of Appeals	8
Community Development and Human Services Committee	13
Community Events and Festivals Committee	7
Creeks Advisory Committee	7
Downtown Parking Committee	7
Living Wage Advisory Committee	7
Measure P Committee	7
Neighborhood Advisory Council	13
Rental Housing Mediation Task Force	15
Sign Committee	4
Single Family Design Board	7
Sister Cities Board	3
Transportation and Circulation Committee	7

Other Advisory Bodies

Central Coast Commission for Senior Citizens	1
Housing Authority Commission	7
Metropolitan Transit District Board	2
Mosquito and Vector Management District Board	1

CITY OF SANTA BARBARA ORGANIZATIONAL CHART



Financial Section

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Santa Barbara, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Santa Barbara, California, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 19 – "California Redevelopment Agency Uncertainty". The note provides information on two bills passed, AB1X26 and 27 which dissolve redevelopment agencies effective October 1, 2011, and provide an option to avoid dissolution by making certain defined payments.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, and other information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate



To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Lughard, LLP

Brea, California
November 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

This section of the City's Comprehensive Annual Financial Report presents an overview of the City's financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages 1-4 of this report.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2011, net assets of the City totaled \$872.2 million, an increase of approximately \$22.1 million from the prior year. Of the total net assets, \$109.2 million is unrestricted and may be used to meet the City's ongoing obligations to citizens, utility customers, and creditors, subject to applicable laws and regulations.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$141.6 million, an increase of \$1.9 million from the prior year.
- As of June 30, 2011, the unassigned fund balance in the General Fund was \$17.8 million, equating to 18.2% of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. Each of these components are discussed below.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to present financial information about the City as a whole in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user fees and charges to fund their operations. Governmental activities include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. Business-type activities include the City's utility operations (water and wastewater), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

The Statement of Net Assets presents all City assets, including capital assets, and all related current liabilities and long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets," which serves as a measure of the financial health of the City. Over time, an increase in net assets generally indicates that the financial health of the City is improving.

The Statement of Activities provides the details of how the City's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses;" increases in net assets are presented as "Revenues." Revenues directly attributable to a particular function or program within the City are presented as "Program Revenues." Tax revenues, including those restricted to a particular program function, are reported as "General Revenues" unless specifically required to be reported as program revenues (i.e., gas and transportation taxes).

Fund Financial Statements

The City, like other state and local governments, uses fund accounting for recording its financial activities. In general, fund accounting provides a mechanism to separately account for a variety of different funding sources and enables the City to demonstrate compliance with legal and/or contractual requirements that may be

associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary, or Fiduciary Funds. Note that the fund financial statements only present information on the most significant (i.e., “major”) funds on the face of the statement. Nonmajor funds are grouped and presented in total on the face of the statements. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements. This is designed to explain the differences created by the integrated approach.

Governmental Funds – Most of the City’s basic services are reported in governmental funds. Governmental funds include the General Fund, Special Revenue, Capital Projects, and Debt Service funds. In the fund financial statements, all governmental fund types are reported using the *modified accrual* basis of accounting. This is a departure from the basis of accounting used in the private sector and is used in the public sector in recognition of the different purpose and focus of financial reporting. Under the modified accrual basis of accounting, revenues are generally recognized when measurable and available to finance current operating costs, rather than when earned, and expenditures are recognized when the related liability is incurred. Because the focus is only on inflow (revenue) and outflow (expenditures) of current financial resources, the balance sheets of governmental funds present only short-term assets and liabilities.

The fund financial statements include separate columns, by fund type, for all major governmental funds of the City. All nonmajor governmental funds are consolidated into a single column labeled “Other Governmental Funds.” The details of these funds are included in the Combining and Individual Fund Statements and Schedules located in the Financial Section of this report.

Proprietary Funds – Proprietary funds are used to account for services provided to external customers or other City departments and funds that are primarily funded from user fees and charges. Proprietary funds use the accrual basis of accounting and measure the balance and change in *total economic resources*. This basis of accounting and financial reporting is consistent with the private sector in recognition that the purpose and focus of enterprise funds, while not on generating a profit, necessitate the measurement of the full cost of providing services. Accordingly, balance sheets of proprietary funds include *all* assets and liabilities, including long-term receivables, capital assets, and long-term liabilities. The basis of accounting and measurement focus used to prepare proprietary fund statements is the same that is used to prepare the government-wide statements. Thus, the proprietary fund statements provide the same, but more detailed, information about these funds, which are included in the “Business-Type Activity” column of the government-wide statements.

Proprietary funds include enterprise funds and internal service funds. The City uses enterprise funds to account for its water, wastewater, airport, waterfront/harbor operations, downtown parking, and golf. Internal service funds are used by the City to account for its intra-city services (motor pool, building maintenance, custodial, and communications), information systems, and self-insurance funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the government-wide statements, as their resources are not available to support the operations of the City.

Notes to the Basic Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and related notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits and other post employment benefits to its employees, budgetary comparison schedules for the General Fund and each major special revenue fund, and schedules and disclosures of the modified approach for reporting the City’s infrastructure.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has presented its financial statements under the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The following analysis of the Government-Wide statements includes a comparison between current and prior year results of operations and year-end balances.

Statement of Net Assets

Table 1 below summarizes the Statement of Net Assets for Governmental and Business Type Activities as of June 30, 2011, with comparative totals as of June 30, 2010. As previously stated, net assets may serve over time as a useful indicator of a City's financial position.

Table 1 Statement of Net Assets As of June 30, 2011 and 2010						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 180,535,059	\$ 177,210,242	\$ 113,934,823	\$ 139,539,201	\$ 294,469,882	\$ 316,749,443
Capital assets, net	366,330,743	383,100,260	439,987,148	387,856,111	806,317,891	770,956,371
Total Assets	546,865,802	560,310,502	553,921,971	527,395,312	1,100,787,773	1,087,705,814
Liabilities:						
Current and other liabilities	15,648,005	13,984,222	11,797,587	9,668,272	27,445,592	23,652,494
Non-current liabilities	72,436,496	77,565,772	128,714,389	136,417,585	201,150,885	213,983,357
Total Liabilities	88,084,501	91,549,994	140,511,976	146,085,857	228,596,477	237,635,851
Net Assets:						
Invested in capital assets, net of related debt	325,208,838	340,823,946	309,659,406	290,084,612	634,868,244	630,908,558
Restricted	110,947,332	94,788,585	17,223,022	7,618,855	128,170,354	102,407,440
Unrestricted	22,625,131	33,147,977	86,527,567	83,605,988	109,152,698	116,753,965
Total Net Assets	\$ 458,781,301	\$ 468,760,508	\$ 413,409,995	\$ 381,309,455	\$ 872,191,296	\$ 850,069,963

As shown in Table 1, at June 30, 2011, net assets totaled \$872.2 million. The largest portion consists of the City's investment in capital assets, net of related debt, in the amount of \$634.9 million. This amount represents the total funds required to acquire the capital assets less debt issued for the acquisition that is still outstanding. Capital assets of the City are not available resources, as most assets are not revenue generating and generally are not liquidated to repay debt.

A portion of the City's net assets (\$128.2 million) is subject to restrictions imposed by external parties, and their use is determined by those restrictions and contractual agreements. The significant increase in this category is due to unspent resources at year-end that are carried forward to fund future programs and complete capital projects. The remaining amount of \$109.2 million may be used by the City to meet ongoing operations, subject to applicable federal and state laws and regulations.

Statement of Activities

Table 2
STATEMENT OF ACTIVITIES
Fiscal Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for service	\$ 46,882,223	\$ 47,699,278	\$ 81,575,445	\$ 80,771,487	\$ 128,457,668	\$ 128,470,765
Operating grants and contributions	13,782,111	13,579,979	-	327,547	13,782,111	13,907,526
Capital grants and contributions	11,317,842	9,039,289	6,174,413	4,217,476	17,492,255	13,256,765
General Revenues:					-	-
Taxes	92,047,158	88,256,517	-	-	92,047,158	88,256,517
Franchise fees	3,480,215	3,351,274	-	-	3,480,215	3,351,274
Motor vehicle license fees	477,617	276,370	-	-	477,617	276,370
Investment income	1,912,035	2,296,338	2,070,226	2,903,442	3,982,261	5,199,780
Other revenue	4,755,189	5,177,703	-	-	4,755,189	5,177,703
Total revenues	174,654,390	169,676,748	89,820,084	88,219,952	264,474,474	257,896,700
Expenses:						
Program Expenses:						
Administration	10,518,620	11,254,463	-	-	10,518,620	11,254,463
Public safety	54,707,073	55,563,600	-	-	54,707,073	55,563,600
Public works	44,407,268	43,082,368	-	-	44,407,268	43,082,368
Community services	21,251,020	21,656,606	-	-	21,251,020	21,656,606
Community development	21,313,887	29,336,214	-	-	21,313,887	29,336,214
Interest expense	2,876,001	3,040,279	-	-	2,876,001	3,040,279
Business Activities:					-	-
Water	-	-	29,427,188	29,575,267	29,427,188	29,575,267
Wastewater	-	-	15,709,022	15,311,676	15,709,022	15,311,676
Airport	-	-	22,287,596	20,348,940	22,287,596	20,348,940
Waterfront	-	-	11,216,988	11,075,313	11,216,988	11,075,313
Parking	-	-	6,666,195	6,218,850	6,666,195	6,218,850
Golf Course	-	-	1,972,284	2,028,224	1,972,284	2,028,224
Total expenses	155,073,868	163,933,530	87,279,273	84,558,270	242,353,142	248,491,800
Increase in Net Assets Before Transfers	19,580,522	5,743,218	2,540,811	3,661,682	22,121,333	9,404,900
Transfers in (out)	(29,559,729)	269,122	29,559,729	(269,122)	-	-
Increase (Decrease) in Net Assets	(9,979,207)	6,012,340	32,100,540	3,392,560	22,121,333	9,404,900
Net Assets, July 1	468,760,508	462,748,168	381,309,455	377,916,895	850,069,963	840,665,063
Net Assets, June 30	\$ 458,781,301	\$ 468,760,508	\$ 413,409,995	\$ 381,309,455	\$ 872,191,296	\$ 850,069,963

As discussed earlier, the Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (i.e. year-end). In contrast, the Statement of Activities provides details of how net assets changed from the prior year. Thus, it indicates whether the financial health of the City as a whole is better at June 30, 2011, in relation to a year earlier. For the fiscal year ended June 30, 2011, total net assets increased by \$22.1 million.

Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2011, with comparative totals for the fiscal year ended June 30, 2010.

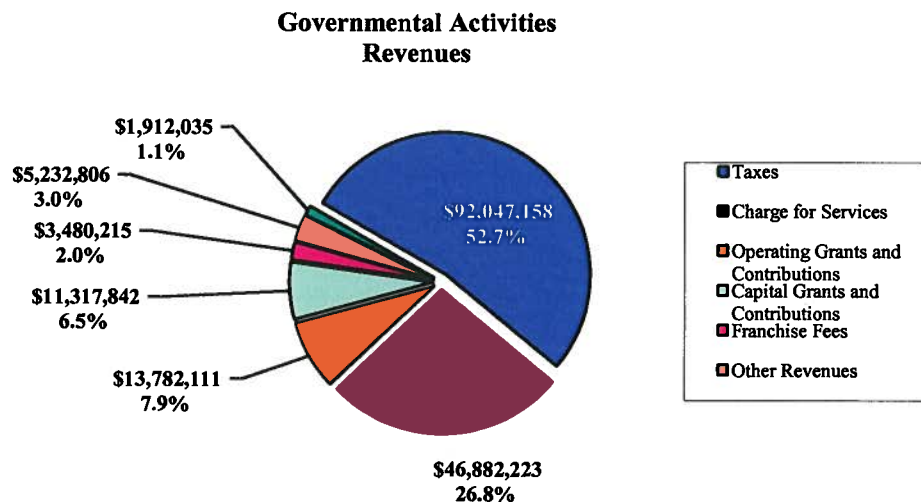
Governmental Activities

The City's governmental activities decreased net assets by \$9.9 million, after transfers out.

Revenue Highlights

Total revenues for governmental activities were \$174.7 million, approximately \$5 million higher than the prior year. The largest component of total revenue was taxes at \$92.0 million, making up 52.7% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly in the General Fund, where programs are largely supported by general taxes. The highest tax revenues received by the General Fund include sales, transient occupancy, utility users, and property taxes. Another fund relying primarily on taxes is the Redevelopment Agency fund, which is almost entirely funded from property tax revenues. This stems from the nature and purpose of redevelopment agencies in that improvements to "blighted" areas in the community are financed from the sale of bonds, which are repaid from the incremental property tax revenues that are generated as a result of the increased value of the properties after the improvements are made. Some of the key changes in revenues are:

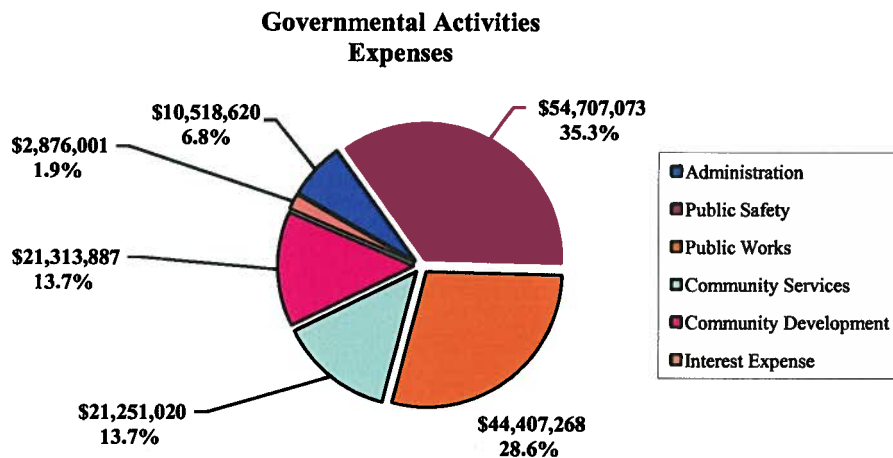
- Sales tax revenues increased by \$0.9 million compared to the prior year. After a few years of a downward trend, the City has seen a slight recovery in this major revenue source. Most of the increase was generated from the restaurant, auto sales, furniture/appliances, and service station business sectors.
- Transient occupancy taxes increased by \$1.0 million compared to the prior year. The City saw healthy gains in the lodging industry in Fiscal Year 2011.
- Capital grants and contributions increased due to capital grants received for several bridge replacement projects. Locations include two bridges over Mission Creek: Haley and De La Vina, and Ortega Street. The City also received additional federal grant funds through the American Recovery and Reinvestment Act (ARRA) for road overlay and sidewalk replacement projects.
- Investment income decreased by \$0.4 million from the prior year as a result of declining market yields.



Expense Highlights

Functional expenses for the year totaled approximately \$155.1 million, a decrease of \$8.9 million from the prior year. The largest component of total expenses was for Public Safety (fire and police), representing \$54.7 million (35.3%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses (total of \$44.4 million), which include street maintenance and improvements, street sweeping, transportation planning, and other activities are funded largely from restricted revenues, including a ½ cent sales tax (Measure A), gas tax, utility users taxes, and grant revenues. Some of the key changes in expenses are:

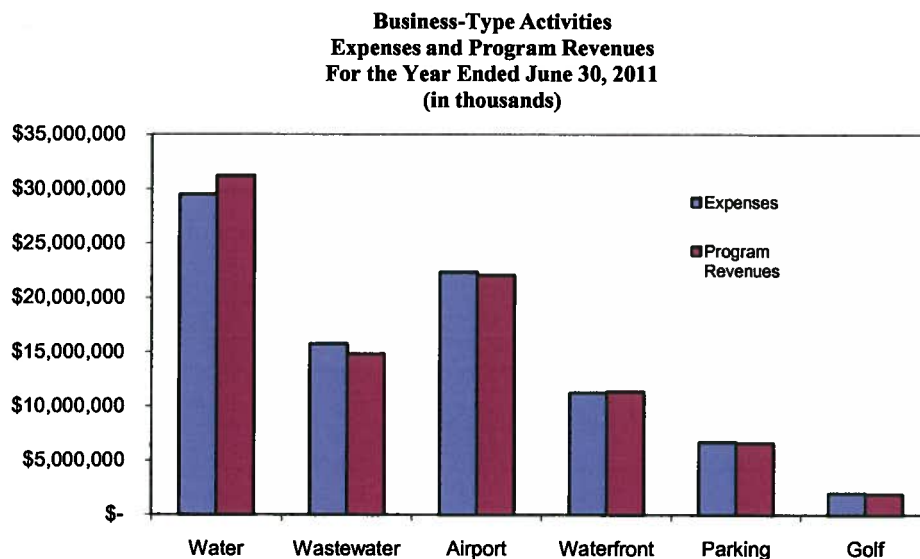
- Personnel costs decreased by \$0.9 million due to savings from labor concessions and positions held vacant during the year.
- The Redevelopment Agency's required ERAF payment to the State of California of \$1.4 million was \$5.4 million lower than in the prior year.
- General materials, supplies, and service expenses across departments were lower by \$0.9 million than the prior year, as a result of management's efforts to reduce expenses overall to meet budgetary constraints.



- Transfers of \$29.6 million are mostly due to the transfer of several parking lots and structures from the Redevelopment Agency to the City's Downtown Parking Fund. The Agency and City entered into a multi-year cooperation agreement that included the transfer of most of the Agency's assets to the City, which was executed in advance of the Agency's pending expiration in 2015.

Business-Type Activities

The City's business-type activities realized an increase in net assets of \$32.1 million. Actual revenues including investment income and transfers in totaled \$119.4 million, while expenses totaled \$87.3 million. The chart below illustrates Expenses and Program Revenues for each business-type activity.



Revenue Highlights

Total program revenues for the fiscal year ended June 30, 2011, were \$87.7 million, an increase of \$1.6 million from the prior year. The increase was primarily attributable to the following:

- Higher capital grants and contributions (\$1.9 million) from the Federal Aviation Administration for several large capital projects at the airport, including construction of the new passenger terminal.
- Investment income decreased \$0.8 million from the prior year. The decrease was due to lower investment yields in the current fiscal year in relation to the prior year, and lower cash balances. Cash balances decreased due to the use of bond proceeds to fund the airline terminal expansion project.

Expense Highlights

Expenses of the business-type activities for the fiscal year ended June 30, 2011, totaled \$87.3 million, a \$2.7 million increase from the prior year.

- The City reported higher depreciation expense (\$1.2 million) as a result of higher capital asset investments in the past few years.
- Other increases were due to higher maintenance and operational expenses for Wastewater, Airport, and Parking operations.

As previously stated, business-type activities report a transfer of \$29.6 million that is mostly due to the transfer of parking structures from the Redevelopment Agency to the Downtown Parking Fund.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

The City uses fund accounting to demonstrate compliance with legal and contractual requirements. This section provides an analysis and discussion of individual funds and fund types presented in the financial statements.

Governmental Funds

As previously noted, governmental funds use the modified accrual basis of accounting. As of June 30, 2011, assets of the City's governmental funds totaled \$168.8 million. Of this total, \$71.1 million consisted of cash and investments, and \$15.5 million consisted of cash and investments held with fiscal agents (bond trustees). An additional \$64.7 million represents outstanding loans receivable, which relate to the City's affordable housing programs funded from the Community Development Block Grant Program and the Economic Development Fund (previously accounted for in Redevelopment Agency funds).

The Economic Development Fund is a new fund created in connection with the transfer of certain assets, such as cash and loans from the Redevelopment Agency to the City, pursuant to multi-year cooperation agreements. The transfer of assets will provide advance funding to the City for the completion of projects over the next few years. The cooperation agreements obligate the City to fund and undertake all activities to redevelop, revitalize, and eliminate blight in the Project Area. The Agency is obligated to reimburse the City from future tax increment revenue for all costs incurred for the specified projects.

Fund balance (assets minus liabilities) of governmental funds totaled \$141.6 million at June 30, 2011. Of this total, \$110.9 million is restricted for specific programs, projects, and capital improvements. The restricted amount also includes \$15.5 million in bond proceeds held by fiscal agents in connection with the sale of the 2001, 2003A, and 2004A Tax Allocation Bonds by the RDA. These funds are restricted to projects for which the bonds were sold, including low-income housing and other redevelopment projects in the Project Area. Reserved fund balance also includes \$44 million for outstanding loans receivable in the Economic Development Fund. Because these loans are long-term, the corresponding portion of fund balance is not currently available for appropriation and is thus reserved.

The unassigned (residual amounts that have not been restricted, committed, or assigned to specific purposes) portion of fund balance consists of funds set aside in the General Fund, pursuant to City policy, for emergencies, revenue shortfalls caused by economic downturns and capital. The policy requires that all operating funds, including the General Fund, set aside an amount equal to 25% of its operating budget (policy reserves). During the tough economic environment over the past several years a portion of the policy reserves were used to balance the budget in the General Fund and, accordingly, reserves have fallen below the policy amount. This use of reserves was in accordance with the purpose of the policy reserves. In the current year, the General Fund realized an addition to unassigned fund balance of \$2.1 million.

Proprietary Funds

Unlike governmental funds, proprietary funds use the accrual basis of accounting for financial statement purposes. Accordingly, information reported for the individual fund statements is very similar to that presented as Business-Type Activities in the government-wide statements. Government-wide reporting requires the inclusion of activities of the City's internal service funds related to proprietary fund activities in the Business-Type Activities. Therefore, the following analysis is very similar to that presented for Business-Type Activities.

Net assets of proprietary funds totaled \$413.4 million as of June 30, 2011, an increase of \$32.1 million from the prior year. Net assets consist of amounts invested in capital assets net of related debt, amounts restricted for capital projects and debt service, as well as unrestricted amounts. As of June 30, 2011, the portion of net assets invested in capital assets (net of related debt) was \$309.7 million, a \$19.6 million increase from the prior year. The increase in net assets invested in capital assets (net of related debt) is due to the transfer from the Agency to the Downtown Parking Fund of parking structures previously funded by the Agency but operated by the Downtown Parking Fund.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and intergovernmental sources, which are used to pay for the traditional services provided by local government - public safety, library, parks and recreation, community development (building and planning), and public works.

Table 3
SUMMARY OF GENERAL FUND REVENUES
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 60,227,459	\$ 61,131,459	\$ 62,655,188	\$ 1,523,729
Franchise fees	3,266,000	3,266,000	3,480,215	214,215
Intergovernmental	1,584,733	675,599	1,029,915	354,316
Fines and forfeitures	3,103,069	3,103,069	3,065,835	(37,234)
Use of money and property	1,270,150	1,270,150	1,187,452	(82,698)
Charges for services	20,210,742	20,066,869	20,019,527	(47,342)
Other revenues	11,375,007	9,971,704	8,224,687	(1,747,017)
Total revenues	101,037,160	99,484,850	99,662,819	177,969
Transfers in	1,088,957	1,088,957	1,074,341	(14,616)
Total other financing sources (uses)	1,088,957	1,088,957	1,074,341	(14,616)
Total Revenues	\$ 102,126,117	\$ 100,573,807	\$ 100,737,160	\$ 163,353

As shown on Table 3, actual revenues totaled \$100.7 million, and exceeded the amended budget by \$163,353. Taxes reported the largest favorable variance at over \$1.5 million, mostly due to a stronger recovery than projected in both sales and transient occupancy (bed) tax revenues. Fiscal year 2011 seems to mark the turning point for those revenues tied to economic conditions. In particular, bed taxes were strong throughout fiscal year 2011 and in line with increased occupancy and room rates at local hotels.

The amended fiscal year 2011 General Fund revenue budget reflects amendments that were approved by the City Council during the year. The most significant amendments included reductions to budgeted mutual aid revenues ("Intergovernmental"), increases to transient occupancy taxes ("Taxes"), and transfers from other funds that were used to partially fund the purchase of equipment such as the Library's self check-out and security system.

Table 4
SCHEDULE OF EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Expenditures:				
Current:				
Mayor and council	686,819	686,819	679,326	7,493
City attorney	1,867,900	1,933,533	1,933,533	0
City administration	1,792,122	1,849,353	1,748,521	100,832
Administrative services	1,641,770	1,673,770	1,570,489	103,281
Finance	4,189,067	4,189,067	4,076,027	113,040
Fire	21,441,666	21,146,297	21,051,745	94,552
Police	33,237,776	32,816,655	32,816,655	(0)
Public works	6,571,047	6,571,047	6,228,194	342,853
Parks and recreation	12,739,545	12,758,430	12,396,367	362,063
Library	4,085,880	4,258,939	3,794,882	464,057
Community development	9,930,320	10,494,761	9,611,010	883,751
Community promotions	2,899,004	2,686,594	1,868,433	818,161
Total expenditures	<u>101,082,916</u>	<u>101,065,266</u>	<u>97,775,182</u>	<u>3,290,084</u>
 Transfers out	 <u>1,113,133</u>	 <u>1,113,133</u>	 <u>1,060,644</u>	 <u>(52,489)</u>
 Total Expenditures	 <u><u>\$102,196,049</u></u>	 <u><u>\$ 102,178,399</u></u>	 <u><u>\$ 98,835,826</u></u>	 <u><u>\$ 3,237,595</u></u>

The amended fiscal year 2011 General Fund expenditure budget reflects amendments approved by the City Council during the year. The most significant amendments included savings derived from Public Safety labor concessions, increases to Fire Department overtime incurred in backfilling personnel that were out on medical leave due to injuries or illness, and equipment purchases.

As shown on Table 4 above, actual expenditures totaled \$98.8 million, and were under budget by \$3.2 million. Expenditure savings were derived from a number of sources. Specifically, salary and benefit expenditures ended the year approximately \$0.8 million under budget, and materials, supplies and services were \$1.7 million under budget. Approximately \$0.2 million of the variance is attributable to a long-term budget for the general plan update that will be expended over several years. Special project and capital expenditures produced a \$0.4 million favorable variance

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 5 summarizes the City's capital assets by class and by type of activity. It is important to note that capital assets are reported at historical cost, net of accumulated depreciation. These amounts do not represent the market value or replacement cost of City assets, which would be significantly higher. Historical cost is used, pursuant to accounting standards, to provide an objective basis for reporting capital assets.

TABLE 5 SUMMARY OF CAPITAL ASSETS (Net of Accumulated Depreciation) As of June 30, 2011			
	Governmental Activities	Business-Type Activities	Totals
Non-depreciating assets:			
Construction in Progress	\$ 20,406,437	\$ 63,606,536	\$ 84,012,973
Land	46,050,006	24,898,955	70,948,961
Streets	160,101,179	-	160,101,179
Depreciating assets:			
Buildings	14,424,474	40,355,115	54,779,589
Building Improvements	10,835,232	6,363,263	17,198,495
Equipment	10,693,492	17,011,799	27,705,291
Other Improvements and drainage systems	21,886,551	199,490,591	221,377,142
Infrastructure	81,933,372	8,758,671	90,692,043
Underground Piping	-	79,502,218	79,502,218
TOTALS	\$ 366,330,743	\$ 439,987,148	\$ 806,317,891

The City owns hundreds of million dollars of capital assets that require ongoing maintenance, improvement and renovation. As a result, the City as a whole undertakes millions of dollars in capital improvement and construction projects each year.

The capital improvement projects undertaken in those operations included in the Governmental Activities category typically include improvements to the City's infrastructure (roads, curbs, storm drains, bridges, sidewalks, gutters, etc.) and improvements to City public facilities, such as parks, restrooms, community facilities, and playgrounds. Starting in 2004, governmental funds have been required to capitalize and report the costs of acquiring or constructing infrastructure assets acquired or constructed after 1982. As of June 30, 2011, infrastructure assets totaled \$250.8 million. Where information was readily available, or if a value could be reasonably estimated, the City capitalized infrastructure assets acquired or constructed prior to 1982.

With regard to capital improvements to City streets, which is also considered "infrastructure," the City has elected to use the "modified approach" pursuant to GASB Statement No. 34 in accounting for streets so these assets have been reported separately from other infrastructures in Table 5. The City has established a pavement condition assessment process where approximately one-third of the entire street system is assessed on a rotating basis each year. Each road segment is rated and given a pavement condition index (PCI) value from zero to one hundred (0-100), where PCIs of 41 or higher are considered to be in "Fair" or better condition, and roads with PCIs of 56 or higher are considered to be in "Good" or better condition. Pursuant to the modified approach, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized. At June 30, 2011, the average PCI for City streets was 68, which is defined as "good."

Key projects that were completed during the current fiscal year in the Governmental Activities category include: West Cabrillo Pedestrian Improvements (\$2.9 million), Las Positas Creek Restoration (\$3.2 million), Carrillo Recreation Center Rehabilitation (\$5.1 million), and West Downtown Pedestrian Improvements (\$3.3 million). Other additions included vehicle purchases for \$2.3 million, mostly for the replacement of vehicles in the Police and Public Works departments.

Capital improvements within the Business-Type Activities category primarily relate to facilities used in connection with enterprise funds, such as water, wastewater, airport, golf and downtown parking. These operations are much more capital intensive given the nature of the services they provide. As of June 30, 2011, the City's business-type funds included \$52.1 million in net capital asset additions, with the majority of the increase attributable to the transfer of the parking structures. Construction in progress increased by \$9.7 million in connection with various multi-year large projects, such as the Airport Terminal Expansion and the Cater Water Treatment Plant Rehabilitation projects. Capital projects completed in the year included: Water Main Replacement (\$2.0 million), Sewer Main Replacement (\$1.1 million), Marina One Replacement (\$2.1 million), Parking Lot Improvements (\$0.8 million), and Airport Terminal Expansion (\$22.8 million). Accumulated depreciation increased by \$34.8 million, after adjusting for the accumulated depreciation brought forward with the transfer of parking structures.

Additional information on the City of Santa Barbara's capital assets can be found in Notes 1 and 5 to the financial statements, and Required Supplementary Information of this report.

Long-Term Debt

Table 6 below summarizes outstanding long-term debt from the issuance of bonds, certificates of participation, and loans; the table excludes outstanding claims payable, deferred debt costs, and compensated absences. As shown in the table, the City had approximately \$182.8 million in long-term issued debt outstanding at June 30, 2011, a net decrease of \$14.6 million from the prior year.

TABLE 6
SUMMARY OF OUTSTANDING ISSUED DEBT
Fiscal Year Ended June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Certificates of Participation	\$ 2,095,500	\$ 27,099,500	\$ 29,195,000
Revenue Bonds	-	66,270,000	66,270,000
Tax Allocation Bonds	53,410,000	-	53,410,000
Loans	-	33,906,857	33,906,857
	<u>\$ 55,505,500</u>	<u>\$ 127,276,357</u>	<u>\$ 182,781,857</u>

With respect to the Governmental Activities, the outstanding \$2.1 million in Certificates of Participation (COPs) were issued in fiscal year 2002 to refund the 1993 COPs, thereby capturing more favorable interest rates and lowering interest costs. The outstanding \$53.4 million tax allocation bonds relate to the Agency. This includes the 2001, 2003A, and 2004A Tax Allocation Bonds issued in July 2001, December 2003, and July 2004, respectively, to fund the construction of the Granada Garage, senior affordable housing, and other redevelopment projects.

The Waterfront and Water Funds have outstanding COPs totaling \$14.4 million and \$11.6 million, respectively. As for revenue bonds outstanding, the Water Fund had \$2.7 million in 1994 Series A revenue bonds outstanding at June 30, 2011. The \$16.3 million in outstanding sewer revenue bonds were issued by the Wastewater Fund in

2004 to fund renovations to the City's wastewater collection and treatment systems. The Airport Fund issued \$47.3 million in revenue bonds last year to construct a new passenger terminal building, parking, and roadway improvements. Of the outstanding \$33.9 million in loans payable in the Business-Type Activities, \$33.0 million relates to the Water Fund. The Water Fund loans are low-interest loans from the State Department of Water Resources (SDWR), primarily for the Sheffield Reservoir Project and the Cater Water Treatment Plant Project. Approximately 40% of the SDWR loans will be reimbursed by the Montecito Water District and the Carpinteria Water District.

Additional information on the City of Santa Barbara's long-term debt can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Santa Barbara is a destination point for many regional, domestic, and international visitors attracted to the mild weather, local beaches, and many cultural and recreational opportunities offered in the region. As such, the local economy is affected by the health of the national and international economies. In the General Fund, the City's primary operating fund from which the traditional services associated with local government are provided (police, fire, recreation, libraries, etc.) is particularly affected by economic downturns. Key revenues, such as sales tax, transient occupancy tax, and property tax revenues, realized significant declines during fiscal years 2008 through 2010.

Despite the revenue declines of the last few years, the City was able to keep General Fund revenues and expenditures in balance through a combination of cuts to spending and labor concessions. More importantly, key revenues have increased starting in fiscal year 2011. This trend appears to be continuing in fiscal year 2012.

The fiscal year 2012 adopted budget addressed a remaining budget gap of \$2.8 million primarily through reduced staffing, continued labor concessions and one-time measures. Based on better than expected revenue growth in fiscal year 2011 and in the first few months of the current fiscal year, the ongoing structural deficit will likely be lower for fiscal year 2013. Management expects that additional labor concessions or permanent service reductions will be needed in order to resolve the structural deficit on a permanent basis, which is partially due to higher pension costs resulting from rising PERS rates and anticipated increased payrolls.

Due to the impact of rising pension costs, pension reform continues to be a major discussion point at every level of government. In California, Governor Jerry Brown recently announced a pension reform proposal he plans to take to the voters, which includes mandatory cost sharing between employees and employers, as well as changes to retirement ages and overall benefits. Over the next few years, the City of Santa Barbara will need to consider and evaluate alternative strategies to address its own rising costs of pensions, which may include some of the same general strategies contained in the Governor's proposal.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, separate reports of the City's component unit (Redevelopment Agency), or need any additional financial information, please access the City's internet web site at www.SantaBarbaraCa.gov/government/finance/CAFR. You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93101, (805) 564-5334, or email Ruby Carrillo, Accounting Manager at RCarrillo@SantaBarbaraCa.gov or Robert Samario, Finance Director at BSamario@SantaBarbaraCa.gov.



CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 2,315,792	\$ 2,007,591	\$ 4,323,383
Investments	90,448,798	77,352,294	167,801,092
Accounts receivable, net	11,399,721	4,523,640	15,923,361
Accrued interest receivable	636,669	-	636,669
Due from other agencies	-	-	-
Due from fiduciary funds	469,366	-	469,366
Internal balances	(7,250,586)	7,250,586	-
Inventory	689,151	-	689,151
Prepaid assets and deposits	11,938	4,488,408	4,500,346
Deferred charges	1,559,234	1,089,283	2,648,517
Loans receivable	64,721,295	-	64,721,295
Non-Current assets:			
Restricted assets:			
Cash and investments with fiscal agents	15,533,681	17,223,022	32,756,703
Capital assets not being depreciated:			
Construction in progress	20,406,437	63,606,536	84,012,973
Land	46,050,006	24,898,955	70,948,961
Streets	160,101,179	-	160,101,179
Capital assets, net of accumulated depreciation:			
Buildings	14,424,474	40,355,115	54,779,589
Building improvements	10,835,232	6,363,263	17,198,495
Equipment	10,693,492	17,011,799	27,705,291
Infrastructure	81,933,372	8,758,671	90,692,043
Other improvements and drainage systems	21,886,551	199,490,591	221,377,142
Underground piping	-	79,502,218	79,502,218
Total capital assets	366,330,743	439,987,148	806,317,891
Total assets	546,865,802	553,921,971	1,100,787,773
LIABILITIES			
Current liabilities:			
Accounts payable	5,177,992	6,329,473	11,507,465
Accrued interest payable	872,424	1,813,267	2,685,691
Salaries and benefits payable	6,033,665	1,372,713	7,406,378
Other accrued liabilities	54,330	-	54,330
Deposits	1,884,334	1,695,485	3,579,819
Unearned revenue	1,625,260	586,649	2,211,909
Noncurrent liabilities:			
Due within one year	14,758,877	5,940,077	20,698,954
Due in more than one year	53,521,588	120,374,342	173,895,930
Net pension obligation	133,000	-	133,000
Other post employment benefits (OPEB) obligation	4,023,030	2,399,970	6,423,000
Total liabilities	88,084,501	140,511,976	228,596,477
NET ASSETS			
Invested in capital assets, net of related debt	325,208,838	309,659,406	634,868,244
Restricted for capital projects	44,649,135	9,426,038	54,075,173
Restricted for specific projects and programs	65,736,949	-	65,736,949
Restricted for debt service	561,248	7,796,984	8,358,232
Unrestricted	22,625,131	86,527,567	109,152,698
Total net assets	\$ 458,781,301	\$ 413,409,995	\$ 872,191,296

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
Current:							
Administration	\$ 10,518,620	\$ 1,042,462	\$ -	\$ -	\$ (9,476,158)	\$ -	\$ (9,476,158)
Public safety	54,707,073	9,609,545	1,197,534	-	(43,899,994)	-	(43,899,994)
Public works	44,407,268	25,948,947	5,875,649	11,292,712	(1,289,960)	-	(1,289,960)
Community services	21,251,020	4,854,484	3,919,160	25,130	(12,452,246)	-	(12,452,246)
Community development	21,313,887	5,426,785	2,789,768	-	(13,097,334)	-	(13,097,334)
Interest on long term debt	2,876,001	-	-	-	(2,876,001)	-	(2,876,001)
Total governmental activities	155,073,869	46,882,223	13,782,111	11,317,842	(83,091,693)	-	(83,091,693)
Business activities:							
Water	29,427,188	31,158,324	-	-	-	1,731,136	1,731,136
Wastewater	15,709,022	14,770,579	-	-	-	(938,443)	(938,443)
Airport	22,287,596	15,862,774	-	6,174,413	-	(250,409)	(250,409)
Waterfront	11,216,988	11,312,808	-	-	-	95,820	95,820
Parking	6,666,195	6,579,457	-	-	-	(86,738)	(86,738)
Golf course	1,972,284	1,891,503	-	-	-	(80,781)	(80,781)
Total business-type activities	87,279,273	81,575,445	-	6,174,413	-	470,585	470,585
Total	\$ 242,353,142	\$ 128,457,668	\$ 13,782,111	\$ 17,492,255	(83,091,693)	470,585	(82,621,108)
General revenues:							
Taxes:							
Property					42,738,485	-	42,738,485
Sales & use					17,891,404	-	17,891,404
Transient occupancy					14,950,987	-	14,950,987
Utility users					13,886,998	-	13,886,998
Business license					2,206,992	-	2,206,992
Real property transfer					372,292	-	372,292
Franchise fees					3,480,215	-	3,480,215
Unrestricted motor vehicle license-in-lieu					477,617	-	477,617
Investment income					1,912,035	2,070,226	3,982,261
Other revenue					4,755,189	-	4,755,189
Transfers					(29,559,729)	29,559,729	-
Total general revenues and transfers					73,112,486	31,629,955	104,742,440
Change in net assets					(9,979,207)	32,100,540	22,121,333
Net assets, beginning of fiscal year					468,760,508	381,309,455	850,069,963
Net assets, end of fiscal year					\$ 458,781,301	\$ 413,409,995	\$ 872,191,296

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

		Special			Capital		
	General	Revenue Funds			Projects Fund	Other	Total
	Fund	Redevelopment	Economic	Solid	Redevelopment	Governmental	Governmental
		Agency	Development	Waste	Agency	Funds	Funds
<u>Assets</u>							
Cash	\$ 480,128	\$ -	\$ 309,819	\$ 9,404	\$ 396,594	\$ 571,340	\$ 1,767,284
Investments	18,499,286	-	13,158,847	362,333	15,280,714	22,013,685	69,314,866
Cash and investments							
with fiscal agents	-	-	565,058	-	14,407,375	561,248	15,533,681
Accounts receivable	6,791,774	-	-	1,333,517	-	3,274,430	11,399,721
Accrued interest receivable	620,788	-	15,881	-	-	-	636,669
Loans receivable	4,175,873	-	44,161,506	-	3,500,000	12,883,916	64,721,295
Due from fiduciary funds	469,366	-	-	-	-	-	469,366
Interfund receivable	220,050	-	-	-	-	-	220,050
Advances to other funds	4,124,882	-	-	-	-	581,418	4,706,300
Inventory	11,938	-	-	-	-	-	11,938
Total assets	<u>\$ 35,394,085</u>	<u>\$ -</u>	<u>\$ 58,211,111</u>	<u>\$ 1,705,254</u>	<u>\$ 33,584,683</u>	<u>\$ 39,886,037</u>	<u>\$ 168,781,170</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 695,529	\$ -	\$ 42,805	\$ 275,762	\$ 771,617	\$ 3,024,304	\$ 4,810,017
Salaries and benefits payable	5,394,994	-	-	39,106	-	304,691	5,738,791
Interest payable	-	-	-	-	-	54,330	54,330
Interfund payables	-	-	-	-	-	220,050	220,050
Deposits	1,678,778	-	-	-	-	205,556	1,884,334
Unearned revenue	1,078,804	-	-	-	-	546,456	1,625,260
Deferred revenue	-	-	-	-	-	12,883,916	12,883,916
Total liabilities	<u>8,848,105</u>	<u>-</u>	<u>42,805</u>	<u>314,868</u>	<u>771,617</u>	<u>17,239,303</u>	<u>27,216,698</u>
Fund balances:							
Nonspendable	8,312,693	-	-	-	-	-	8,312,693
Restricted	463,348	-	58,168,306	728,433	32,813,066	18,774,179	110,947,332
Committed	-	-	-	10,003	-	2,656,135	2,666,138
Assigned	-	-	-	651,950	-	1,556,111	2,208,061
Unassigned	17,769,939	-	-	-	-	(339,691)	17,430,248
Total fund balances	<u>26,545,980</u>	<u>-</u>	<u>58,168,306</u>	<u>1,390,386</u>	<u>32,813,066</u>	<u>22,646,734</u>	<u>141,564,472</u>
Total liabilities and fund balances	<u>\$ 35,394,085</u>	<u>\$ -</u>	<u>\$ 58,211,111</u>	<u>\$ 1,705,254</u>	<u>\$ 33,584,683</u>	<u>\$ 39,886,037</u>	<u>\$ 168,781,170</u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
June 30, 2011

Total Governmental fund balances (page 26)		\$ 141,564,472
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds.		359,724,548
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.		1,559,234
Unamortized debt premium and discounts on debt issuance must be amortized in the statement of activities over the life of the new debt issue.		(585,028)
Governmental long-term debt is not due and payable in the current period and, therefore, are not reported in the governmental funds statements.		(55,505,500)
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the governmental funds statements.		(6,503,784)
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds statements.		(133,000)
OPEB obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds statements.		(4,023,030)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred in the government-wide financial statements.		(872,424)
Internal service funds are used by management to charge the costs of management of fleet maintenance, printing and reproduction, worker's compensation, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in the governmental activities in the statement of net assets. (See Statement of Net Assets Proprietary Funds, p. 30)		
Internal Service Funds net assets	\$ 23,394,443	
Less business-type portion	<u>(12,722,545)</u>	10,671,898
CDBG loans made or repaid throughout the year are not available for use in the current period and, therefore, are deferred in the funds.		5,904,220
HOME loans made or repaid throughout the year are not available for use in the current period and, therefore, are deferred in the funds.		6,979,696
Net assets of governmental activities (page 24)		<u><u>\$ 458,781,301</u></u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2011

			Special		Capital		
	General		Revenue Funds		Projects Fund	Other	Total
	Fund	Redevelopment	Economic	Solid	Redevelopment	Governmental	Governmental
		Agency	Development	Waste	Agency	Funds	Funds
Revenues:							
Taxes	\$ 62,655,188	\$ 19,956,632	\$ -	\$ -	\$ -	\$ 12,320,787	\$ 94,932,607
Franchise fees	3,480,215	-	-	-	-	-	3,480,215
Intergovernmental	1,029,915	-	-	-	-	19,573,345	20,603,260
Fines and forfeitures	3,065,835	-	-	-	-	1,265,387	4,331,222
Use of money and property	1,187,452	807,747	-	-	(18,089)	281,033	2,258,143
Charges for services	20,019,527	-	-	16,727,681	-	1,974,525	38,721,733
Program income	-	-	-	-	-	835,810	835,810
Other revenues	8,224,687	10,104	-	222,575	10	1,524,491	9,981,867
Total revenues	99,662,819	20,774,483	-	16,950,256	(18,079)	37,775,378	175,144,857
Expenditures:							
Current:							
Mayor and council	679,326	-	-	-	-	-	679,326
City attorney	1,933,533	-	-	-	-	-	1,933,533
City administration	1,748,521	-	-	-	-	-	1,748,521
Administrative services	1,570,489	-	-	-	-	-	1,570,489
Finance	4,076,027	-	-	-	-	-	4,076,027
Public safety	53,868,400	-	-	-	-	1,151,115	55,019,515
Public works	6,228,194	-	-	18,226,078	-	5,846,923	30,301,195
Community services	16,191,249	-	-	-	-	2,571,758	18,763,007
Community development	9,611,010	5,605,591	-	-	-	2,893,041	18,109,642
Community promotions	1,868,433	-	-	-	-	-	1,868,433
Capital improvements	-	-	-	-	7,273,914	23,601,438	30,875,352
Debt service:			-				
Principal	-	480,000	-	-	4,990,000	254,100	5,724,100
Interest	-	156,595	-	-	2,523,384	96,345	2,776,324
Total expenditures	97,775,182	6,242,186	-	18,226,078	14,787,298	36,414,720	173,445,464
Excess (deficiency) of revenues over (under) expenditures	1,887,637	14,532,297	-	(1,275,822)	(14,805,377)	1,360,658	1,699,393
Other financing sources (uses):							
Transfers in	1,074,341	-	58,168,306	-	12,390,247	4,080,012	75,712,906
Transfers out	(1,060,644)	(70,558,553)	-	(50,000)	-	(3,807,921)	(75,477,118)
Total other financing sources (uses)	13,697	(70,558,553)	58,168,306	(50,000)	12,390,247	272,091	235,788
Net change in fund balances	1,901,334	(56,026,256)	58,168,306	(1,325,822)	(2,415,130)	1,632,749	1,935,181
Fund balances, beginning of fiscal year	24,644,646	56,026,256	-	2,716,208	35,228,196	21,013,985	139,629,291
Fund balances, end of fiscal year	\$ 26,545,980	\$ -	\$ 58,168,306	\$ 1,390,386	\$ 32,813,066	\$ 22,646,734	\$ 141,564,472

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
Fiscal Year Ended June 30, 2011**

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Net change in fund balances - total governmental funds (page 28)		\$ 1,935,181
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for general capital assets, infrastructure, and other related capital	\$ 18,957,214	
Less current year depreciation	<u>(6,851,828)</u>	12,105,386
Transfer of capital assets from governmental-type to business-type activities is included in the Statement of Activities but not in the governmental funds		(29,785,350)
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		5,724,100
Loans made and repayments received are expenditures or revenues in the governmental funds, but the repayments reduce, and new loans increase, loans receivable in the Statement of net Assets		556,552
Amortization of deferred debt costs, original bond discounts and premiums in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		40,246
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are deferred and reported in the period when the liability exists in the statement of activities		(139,923)
Pension obligation change		775,092
OPEB obligation costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(1,338,869)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of certain activities of internal service funds is reported as governmental activities. (See Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds p. 33)		
Change in net assets - Internal service funds	1,019,765	
Less: amount related to enterprise funds	<u>(723,348)</u>	296,417
Governmental liabilities for compensated absences are not due until payable in the governmental funds, therefore, the changes in the liability are not reported as expenditures in the governmental funds.		(148,041)
Change in net assets of governmental activities (page 25)		<u><u>\$ (9,979,207)</u></u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Water	Wastewater	Airport
Assets			
Current assets:			
Cash	\$ 956,374	\$ 322,317	\$ 374,823
Investments	36,849,004	12,418,861	14,441,892
Accounts receivable, net	2,946,923	1,295,229	231,383
Inventory	-	-	-
Prepaid assets	4,488,408	-	-
Total current assets	45,240,709	14,036,407	15,048,098
Non-current assets:			
Other assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,889,415	3,553,922	10,385,545
Unamortized bond issuance costs, net	223,379	179,674	316,137
Advances to other funds	1,725,388	582,080	-
Total other assets	3,838,182	4,315,676	10,701,682
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	7,414,694	13,953,411	12,295,464
Building improvements	1,954,330	741,616	2,945,645
Improvements other than building	129,616,977	46,178,978	129,839,500
Equipment	8,830,633	18,177,040	5,215,860
Underground piping	104,380,504	72,699,240	-
Other Infrastructure	-	-	15,980,481
Construction in progress	7,132,829	3,347,137	49,374,984
Less: accumulated depreciation	(128,131,953)	(81,336,839)	(60,894,387)
Total capital assets, net	133,416,201	77,269,255	162,067,547
Total non-current assets	137,254,383	81,584,931	172,769,229
Total assets	182,495,092	95,621,338	187,817,327
Liabilities			
Current liabilities:			
Accounts payable	508,073	633,723	4,000,050
Accrued interest payable	234,568	120,000	1,139,419
Salaries and benefits payable	323,032	222,509	245,608
Deposits	144,513	-	913,820
Unearned revenue	-	-	410,480
Compensated absences payable	446,505	253,943	279,357
Current portion claims payable	-	-	-
Current portion long term debt	2,990,748	630,000	114,785
Total current liabilities	4,647,439	1,860,175	7,103,519
Non-current liabilities:			
Long-term debt, net of current portion	40,544,220	15,526,292	48,221,575
Compensated absences payable	49,612	28,216	31,040
Other post employment benefits (OPEB) obligation	870,725	443,408	523,814
Advances from other funds	-	-	5,267,468
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	41,464,557	15,997,916	54,043,897
Total liabilities	46,111,996	17,858,091	61,147,416
Net Assets			
Invested in capital assets, net of related debt	89,881,233	61,112,963	108,036,148
Restricted for capital projects	1,549	2,186,201	7,238,288
Restricted for debt service	1,887,866	1,367,721	3,147,257
Unrestricted	44,612,448	13,096,361	8,248,218
Total net assets	\$ 136,383,096	\$ 77,763,246	\$ 126,669,911
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			
Net assets of business-type activities			

See accompanying notes to the basic financial statements

Waterfront	Downtown Parking	Golf Course	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ 164,162	\$ 172,132	\$ 17,783	\$ 2,007,591	\$ 548,507
6,325,136	6,632,230	685,171	77,352,294	21,133,933
-	48,250	1,855	4,523,640	-
-	-	-	-	689,151
-	-	-	4,488,408	-
<u>6,489,298</u>	<u>6,852,612</u>	<u>704,809</u>	<u>88,371,933</u>	<u>22,371,591</u>
1,394,140	-	-	17,223,022	-
370,093	-	-	1,089,283	-
402,808	310,542	33,377	3,054,195	765,659
<u>2,167,041</u>	<u>310,542</u>	<u>33,377</u>	<u>21,366,500</u>	<u>765,659</u>
878,201	10,641,593	342,302	24,898,955	-
3,690,671	30,660,763	1,198,600	69,213,603	105,889
3,461,332	-	170,228	9,273,151	295,223
50,078,119	20,012,075	4,225,277	379,950,926	354,588
1,427,750	2,537,928	946,109	37,135,320	19,837,975
-	-	-	177,079,744	-
-	-	-	15,980,481	-
2,542,185	1,209,401	-	63,606,536	237,640
(39,710,041)	(23,759,711)	(3,318,637)	(337,151,568)	(14,225,120)
<u>22,368,217</u>	<u>41,302,049</u>	<u>3,563,879</u>	<u>439,987,148</u>	<u>6,606,195</u>
24,535,258	41,612,591	3,597,256	461,353,648	7,371,854
<u>31,024,556</u>	<u>48,465,203</u>	<u>4,302,065</u>	<u>549,725,580</u>	<u>29,743,445</u>
905,802	\$ 267,644	\$ 14,181	6,329,473	367,975
241,646	-	77,634	1,813,267	-
329,907	201,120	50,537	1,372,713	294,874
589,501	47,651	-	1,695,485	-
145,798	-	30,371	586,649	-
317,634	156,488	59,617	1,513,544	376,458
-	-	-	-	2,560,013
555,000	-	136,000	4,426,533	-
<u>3,085,288</u>	<u>672,903</u>	<u>368,340</u>	<u>17,737,664</u>	<u>3,599,320</u>
15,045,230	-	868,853	120,206,170	-
35,293	17,388	6,624	168,172	41,829
314,253	189,109	58,661	2,399,970	-
2,758,686	-	500,000	8,526,154	-
-	-	-	-	2,707,853
<u>18,153,462</u>	<u>206,497</u>	<u>1,434,138</u>	<u>131,300,466</u>	<u>2,749,682</u>
<u>21,238,750</u>	<u>879,399</u>	<u>1,802,478</u>	<u>149,038,130</u>	<u>6,349,002</u>
6,767,987	41,302,049	2,559,026	309,659,406	6,606,195
-	-	-	9,426,038	-
1,394,140	-	-	7,796,984	-
1,623,679	6,283,755	(59,439)	73,805,022	16,788,248
<u>\$ 9,785,806</u>	<u>\$ 47,585,804</u>	<u>\$ 2,499,587</u>	<u>400,687,450</u>	<u>\$ 23,394,443</u>
			12,722,545	
			<u>\$ 413,409,995</u>	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>
Operating Revenues:			
Charges for sales and services			
Sales	\$ 27,181,923	\$ 13,816,654	\$ -
Service charges	3,681,070	872,294	2,161,120
Leases and rents	-	-	13,360,211
Other revenues	295,331	81,631	341,443
Total operating revenues	<u>31,158,324</u>	<u>14,770,579</u>	<u>15,862,774</u>
Operating Expenses:			
Salaries, wages and benefits	7,514,373	4,993,310	4,919,256
Materials, supplies and services	14,481,776	5,926,726	9,530,807
Depreciation	6,458,709	4,244,534	4,681,769
Other expenses	-	-	44,617
Total operating expenses	<u>28,454,858</u>	<u>15,164,570</u>	<u>19,176,449</u>
Operating income (loss)	<u>2,703,466</u>	<u>(393,991)</u>	<u>(3,313,675)</u>
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	924,011	322,272	446,201
Interest expense	(1,552,620)	(738,038)	(2,814,239)
Other, net	-	130,119	-
Total non-operating revenues (expenses)	<u>(628,609)</u>	<u>(285,647)</u>	<u>(2,368,038)</u>
Income (loss) before contributions and transfers	2,074,857	(679,638)	(5,681,713)
Capital Contributions	-	-	6,174,413
Transfers in	-	-	-
Transfers out	-	(229,278)	-
Change in net assets	2,074,857	(908,916)	492,700
Net assets, beginning of year	<u>134,308,239</u>	<u>78,672,162</u>	<u>126,177,211</u>
Net assets, end of year	<u>\$ 136,383,096</u>	<u>\$ 77,763,246</u>	<u>\$ 126,669,911</u>

Adjustment to reflect the consolidation of internal service activities related to enterprise funds
Change in net assets of business-type activities (page 25)

Waterfront	Downtown Parking	Golf Course	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ 40,998,577	\$ -
7,079,575	5,734,913	1,525,308	21,054,280	16,982,567
4,032,177	-	309,528	17,701,916	-
201,056	19,205	56,667	995,333	244,758
<u>11,312,808</u>	<u>5,754,118</u>	<u>1,891,503</u>	<u>80,750,106</u>	<u>17,227,325</u>
5,612,153	3,701,282	1,115,324	27,855,698	5,982,393
3,536,822	2,248,972	563,420	36,288,523	8,721,977
1,288,551	652,829	224,099	17,550,491	1,386,010
-	-	-	44,617	-
<u>10,437,526</u>	<u>6,603,083</u>	<u>1,902,843</u>	<u>81,739,329</u>	<u>16,090,380</u>
875,282	(848,965)	(11,340)	(989,223)	1,136,945
-	825,339	-	825,339	-
215,973	150,992	10,777	2,070,226	291,611
(976,728)	-	(82,508)	(6,164,133)	-
-	-	-	130,119	(671,402)
<u>(760,755)</u>	<u>976,331</u>	<u>(71,731)</u>	<u>(3,138,449)</u>	<u>(379,791)</u>
114,527	127,366	(83,071)	(4,127,672)	757,154
-	-	-	6,174,413	-
-	29,828,850	-	29,828,850	262,611
-	(269,121)	-	(498,399)	-
114,527	29,687,095	(83,071)	31,377,192	1,019,765
<u>9,671,279</u>	<u>17,898,709</u>	<u>2,582,658</u>		<u>22,374,678</u>
<u>\$ 9,785,806</u>	<u>\$ 47,585,804</u>	<u>\$ 2,499,587</u>		<u>\$ 23,394,443</u>
			723,348	
			<u>\$ 32,100,540</u>	

**CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2011**

	Water	Wastewater	Airport
Cash flows from operating activities:			
Cash received from services	\$ 31,920,186	\$ 14,746,955	\$ 1,885,120
Cash received from rents and leases	-	-	13,383,266
Cash payments for goods and services	(15,156,939)	(5,710,795)	(7,199,421)
Cash payments to employees for services	(7,173,521)	(4,829,183)	(4,668,049)
Cash received (returned) for deposits	2,813	-	22,851
Other operating receipts	295,331	81,631	341,443
Other operating disbursements	-	-	-
Net cash provided (used) by operating activities	<u>9,887,870</u>	<u>4,288,608</u>	<u>3,765,210</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(229,278)	-
Transfers from other funds	-	-	-
Received from (paid to) other funds	(1,725,388)	(582,080)	-
Cash received from taxes and assessments	-	-	-
Cash received (used) from other sources	-	130,119	-
Net cash provided (used) by non-capital financing activities	<u>(1,725,388)</u>	<u>(681,239)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	49,397	-	-
Proceeds from capital grants and contributions	-	-	6,174,413
Payments on long term debt	(2,995,627)	(591,202)	(921,446)
Acquisition of capital assets	(3,497,199)	(2,728,333)	(29,645,050)
Disposition of capital assets	-	-	-
Interest paid on debt	(1,570,169)	(742,038)	(2,814,239)
Net cash used for capital and related financing activities	<u>(8,013,598)</u>	<u>(4,061,573)</u>	<u>(27,206,322)</u>
Cash flows from investing activities:			
Cash received on investments	924,011	322,272	446,201
Proceeds from sales and maturities of investments	36,646,111	12,062,488	12,584,603
Purchase of investments	(36,849,004)	(12,418,861)	(14,441,892)
Net cash provided (used) by investing activities	<u>721,117</u>	<u>(34,101)</u>	<u>(1,411,088)</u>
Net increase (decrease) in cash and cash equivalents	870,002	(488,305)	(24,852,200)
Cash and cash equivalents, beginning of fiscal year	<u>1,975,787</u>	<u>4,364,543</u>	<u>35,612,568</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 2,845,789</u>	<u>\$ 3,876,239</u>	<u>\$ 10,760,368</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 2,703,466	\$ (393,991)	\$ (3,313,675)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	6,458,709	4,244,534	4,681,769
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	1,057,193	58,007	(231,383)
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaid assets	(50,456)	-	-
Increase (decrease) in accounts payable	(624,707)	215,931	2,331,386
Increase (decrease) in accrued salaries payable	(22,386)	(5,775)	7,592
Increase (decrease) in deferred revenue	-	-	23,055
Increase (decrease) in accrued compensated absences	37,753	4,152	47,809
Increase (decrease) in OPEB accrual	325,485	165,750	195,806
Increase (decrease) in accrued claims	-	-	-
Increase (decrease) in deposits	2,813	-	22,851
Net cash provided (used) by operating activities	<u>\$ 9,887,870</u>	<u>\$ 4,288,608</u>	<u>\$ 3,765,210</u>
Noncash investing, capital, and financing activities:			
Change in fair value of investments	\$ (113,704)	\$ (37,540)	\$ (58,096)

See accompanying notes to the basic financial statements

Waterfront	Downtown Parking	Golf Course	Total Proprietary Funds	Governmental Activities Internal Service Funds
\$ 7,079,575	\$ 5,728,563	\$ 1,577,860	\$ 62,938,259	\$ 16,984,054
3,951,093	-	309,528	17,643,887	-
(3,381,795)	(2,236,895)	(657,073)	(34,342,918)	(8,795,701)
(5,429,502)	(3,608,117)	(1,098,768)	(26,807,140)	(5,948,258)
65,846	-	-	91,510	-
201,056	6,511	-	925,972	244,758
-	19,205	56,667	75,872	-
<u>2,486,273</u>	<u>(90,733)</u>	<u>188,214</u>	<u>20,525,442</u>	<u>2,484,853</u>
-	(269,121)	-	(498,399)	(717,988)
-	30,139,392	-	30,139,392	262,611
(464,789)	(310,542)	(33,377)	(3,116,176)	(765,659)
-	825,339	-	825,339	-
-	-	-	130,119	-
<u>(464,789)</u>	<u>30,385,068</u>	<u>(33,377)</u>	<u>27,480,275</u>	<u>(1,221,036)</u>
212,787	-	-	262,184	-
-	-	-	6,174,413	-
914,956	-	(120,236)	(3,713,555)	-
(3,268,883)	(30,419,062)	(123,001)	(69,681,528)	(2,296,457)
-	-	-	-	46,586
<u>(925,975)</u>	<u>-</u>	<u>(49,633)</u>	<u>(6,102,054)</u>	<u>-</u>
<u>(3,067,115)</u>	<u>(30,419,062)</u>	<u>(292,870)</u>	<u>(73,060,540)</u>	<u>(2,249,871)</u>
215,973	(159,550)	10,777	1,759,684	291,611
7,302,128	7,071,917	828,252	76,495,499	22,324,095
(6,325,136)	(6,632,230)	(685,171)	(77,352,294)	(21,133,933)
<u>1,192,965</u>	<u>280,137</u>	<u>153,857</u>	<u>902,888</u>	<u>1,481,774</u>
147,334	155,410	15,825	(24,151,934)	495,719
<u>1,410,968</u>	<u>16,722</u>	<u>1,958</u>	<u>43,382,546</u>	<u>52,788</u>
<u>\$ 1,558,302</u>	<u>\$ 172,132</u>	<u>\$ 17,783</u>	<u>\$ 19,230,613</u>	<u>\$ 548,507</u>
\$ 875,282	\$ (848,965)	\$ (11,340)	(989,223)	\$ 1,136,945
1,288,551	652,829	224,099	17,550,491	1,386,010
-	(6,270)	51,437	928,984	1,487
-	-	-	-	(82,676)
-	-	-	(50,456)	-
155,027	12,077	(93,653)	1,996,061	93,309
57,291	(1,967)	(4,607)	30,148	(6,357)
(81,084)	(80)	1,115	(56,994)	-
7,889	24,441	(765)	121,279	40,491
117,471	70,691	21,928	897,131	-
-	-	-	-	(84,357)
65,846	6,511	-	98,021	-
<u>\$ 2,486,273</u>	<u>\$ (90,733)</u>	<u>\$ 188,214</u>	<u>\$ 20,525,442</u>	<u>\$ 2,484,853</u>
\$ (20,763)	\$ (19,378)	\$ (20,763)	\$ (291,240)	\$ (44,493)

**CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2011**

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<u>Assets</u>			
Current assets:			
Cash	\$ -	\$ 56,476	\$ 34,642
Investments	-	2,176,020	1,334,744
Accounts receivable, net	-	-	26,345
Loans receivable	-	-	1,949,977
Total current assets	-	2,232,496	3,345,708
Noncurrent assets:			
Cash and investments with fiscal agents:			
Cash and cash equivalents	-	-	87,465
Other investments	682,339	-	-
Special assessment receivable	-	-	130,000
Total other assets	682,339	-	217,465
Total assets	682,339	2,232,496	\$ 3,563,173
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	-	170	2,607
Accrued benefits payable	5,133	-	-
Due to the City of Santa Barbara	456,410	-	12,956
Total current liabilities	461,543	170	15,563
Noncurrent liabilities:			
Due to bondholders	-	-	130,000
Trust liabilities	-	-	359,703
Contributions	-	-	3,057,907
Total noncurrent liabilities	-	-	3,547,610
Total liabilities	461,543	170	\$ 3,563,173
<u>Net Assets</u>			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	220,796	-	-
Police	-	66,268	-
Library	-	2,166,058	-
Total net assets	\$ 220,796	\$ 2,232,326	

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Fiscal Year Ended June 30, 2011

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Donations	\$ 717,988	\$ 472,896
Investment earnings:		
Interest	9,818	9,919
Dividends	8,455	-
Net change in fair value of investments	49,353	-
Total investment earnings	67,626	9,919
Less investment expense	(5,722)	-
Net investment income	61,904	9,919
 Total additions	 779,892	 482,815
 Deductions		
Benefits	205,845	-
Community services	-	279,605
 Total deductions	 205,845	 279,605
 Net increase (decrease)	 574,047	 203,210
 Net assets, beginning of fiscal year	 (353,251)	 2,029,116
Net assets, end of fiscal year	<u>\$ 220,796</u>	<u>\$ 2,232,326</u>

See accompanying notes to the basic financial statements



Notes To The Basic Financial Statements

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Santa Barbara, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A. Description of the Financial Reporting Entity

The City's reporting entity includes the City (the primary government) and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," which the City adopted effective July 1, 1993. The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the following is a brief review of the City and each component unit within the City's reporting entity.

City of Santa Barbara

The City of Santa Barbara (the primary government) was incorporated on August 26, 1850. The City is a charter city under the laws of the State of California and operates under a Council-Administrator form of government. The Council consists of six council members and a mayor, all of whom are elected at-large. The current City Charter was adopted on May 2, 1967 and provides for the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise funds, operated in a manner similar to a private business, include water, wastewater, airport, parking, golf and waterfront.

Redevelopment Agency of the City of Santa Barbara

The Redevelopment Agency of the City of Santa Barbara (Agency), a blended component unit of the City, was established in 1968 and is a separate governmental entity as prescribed in the State of California's Community Redevelopment law as set forth in the State's Health and Safety Code.

The liabilities of the Agency are mutually exclusive from those of the City. The inclusions of the Agency's operations in the accompanying basic financial statements does not express or imply any assumption of liability by the City, either now or in the future. The City Council of the City of Santa Barbara and the Board of Directors of the Agency are legally separate boards; however, they share common membership. The Agency Board consists of members of the City Council. The City also provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement between the two entities. Accordingly, although it is legally separate from the City, the Agency is reported as if it were part of the City because its sole purpose is to provide for redevelopment activities within the City and it has the same governing body. Separate component unit financial statements for the Agency may be obtained on

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

the City's web site at: www.SantaBarbaraCa.gov/Government/Finance/CAFR. California Community Redevelopment law provides that, upon adoption of a redevelopment plan for a specific area, future incremental tax revenues attributable to increases in the tax base within the project area shall be paid to finance the project. Accordingly, for purposes of its comprehensive annual financial report, the City records the Agency's operating fund as a special revenue fund.

Santa Barbara Public Facilities Corporation

The Santa Barbara Public Facilities Corporation ("Corporation") was incorporated in 1986 and organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was created solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property for the use, benefit and enjoyment of the City. The activities of the Corporation are included within the Water Enterprise Fund of the City. For further information, please contact the City's Finance Department.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets (i.e., fund balances) as presented in these statements to the net assets presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, a portion of the internal service balances and activities have been combined with the governmental activities in the Government-wide financial statements.

The following are the major governmental funds of the City:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Economic Development* fund accounts for excess revenues in the Redevelopment Agency Special Revenue Fund, that will be used to fund future affordable housing and capital projects in the Project Area.
- The *Redevelopment Agency Special Revenue Fund*, a blended component unit of the City, accounts for all financial activities of the Agency, except for those required for debt service and housing activity.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

- The *Solid Waste Special Revenue Fund* accounts for refuse revenues received from customers, payments remitted to the trash haulers, and franchise and recycling fees paid by haulers that are used for recycling programs in the City.
- The *Redevelopment Agency Capital Projects Fund* accounts for all capital projects, including some related debt, financed by the Agency.

The following are the major proprietary funds of the City:

- The *Water Fund* accounts for the provisions of water services to the residents of the City and some residents of the County.
- The *Wastewater Fund* accounts for the provision of sewer services to the residents of the City and some residents of the County.
- The *Airport Fund* accounts for the operation of the municipal airport and the administration of leases of airport property.
- The *Waterfront Fund* accounts for the operation of the City managed waterfront that includes a public wharf, a small craft harbor, and parking facilities.
- The *Downtown Parking Fund* accounts for the provision of parking services in the downtown area of the City.
- The *Golf Course Fund* accounts for the operation of a municipal golf course.

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for 1) a maintenance facility for fleet and motor pool equipment used by all City departments and City-wide building maintenance operations, 2) Information Systems and computer support services, and 3) self-insurance operations of workers' compensation, unemployment, and general liability insurance coverage.
- *Private Purpose Trust Funds* are used to account for resources legally held in trust for use by a not-for-profit organization devoted to library book replacement and to account for the contributions made for the Police Canine Unit program. All resources of the funds, including any earnings on invested resources, may be used to support these activities. There is no requirement that any portion of these resources be preserved as capital.
- The *Pension Trust Fund* accounts for the activities of the Safety Retirement Fund and the Service Retirement Fund that accumulates resources for pension benefit payments to qualified safety employees.
- *Agency Funds* are used to report resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The City's Agency funds include amounts held on behalf of California Law Enforcement Telecommunications System (CLETS), for rehabilitations loans, and for the Seismic Safety Assessment District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

Property and sales taxes, utility users' taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

For its *business-type activities* and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the Primary Government.

E. Capital Assets

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide basic financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of \$10,000 or more for equipment, \$25,000 or more for building improvements and other improvements, \$50,000 or more for buildings and \$100,000 or more for infrastructure. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in results of operations. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the City during the fiscal year was \$8,987,043; of this amount, \$56,241 was part of the cost of capital assets under construction in connection with waterfront projects.

Capital assets (except land, works of art and construction in progress) of the primary government are depreciated using the straight-line method using the estimated useful lives listed below.

	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure (except for the maintained pavement subsystem)	10-100

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The City has networks of infrastructure assets such as roads, water and wastewater treatment plants, drainage systems and sidewalks. The streets pavement subsystem of the road network is reported using the modified approach. The City has established a pavement condition assessment process. Approximately one-third of the entire sub-system is assessed on a rotating basis each year. The City's streets pavement subsystem has been classified as roads with or without formal structural sections. Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0-100), where PCI's of 40 or higher are assigned to be in "Fair" or better condition, and roads with PCI's of 55 or higher to be in "Good" or better condition. Accordingly, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized.

F. Interfund Activities

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal services funds transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: Due to and from other funds, Advances to and from other funds, and Transfers in and out.

G. Description of Program Revenue

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

H. Definition of Operating and Non-operating Revenues

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The principal operating revenues of the water, wastewater, parking, golf, airport and waterfront enterprise funds and the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue service charges, leases and rents, and miscellaneous revenue. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and investments with original maturities of three months or less from the date of acquisition. With respect to cash and investments with fiscal agents, all investments have an original maturity of less than three months and are considered to be cash equivalents.

J. Restricted Assets

The City has funds held by trustees or fiscal agents pledged to the payment or security of bonds and certificates of participation and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agents may make.

K. Flow Assumption for Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy for all fund types to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF SANTA BARBARA
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L. Investment Policies

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investments Pools*, which requires that governmental entities, including governmental external investment pools, report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The fair value of pooled investments is determined annually and is based on current market prices received from the City's securities custodian. The Local Agency Investment Fund (LAIF) is required to invest in accordance with State statutes. At June 30, 2011, the fair value of the City's position in LAIF is the same as the value of the pool shares. Investments held in the Pension Trust Funds are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

The City has developed a formal investment policy that is more restrictive than the State of California Government Code. The policy is adopted annually by the City Council. The City has adhered to established policies for all investment activities.

All of the City's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits. The City may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

M. Receivables and Payables

Interfund transactions are reflected as either: loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable amount in applicable governmental funds to indicate that they are not currently available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Loans receivable in the governmental funds include the Economic Development loans, Community Development Block Grant loans, Home Investment Partnership loans and Employee Mortgages. A portion of fund balance is classified as restricted for the Economic Development funds, and as nonspendable for the Employee Mortgages due to the long-term nature of loans. For other loans, deferred revenue has been reflected in the respective governmental funds.

All accounts receivables are shown net of an allowance for uncollectible amounts, including water, wastewater, airport, golf and parking. The estimate allowance is based on historical collections and a review of accounts receivable.

N. Property Tax Calendar

In 1978, a State constitutional amendment (Article XIII A) provided that the ad valorem real property tax rate be limited to 1% of market value and be levied only by the county and shared with all other jurisdictions. The County of Santa Barbara collects the property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations, subject to adjustments for voter-approved debt.

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Property taxes are formally due on November 1 and February 1 and become delinquent as of December 10 and April 10 respectively. Taxes become a lien on the property effective March 1 of the preceding year.

The City is a participant of the County's Teeter plan, which means the City would receive the full amount of tax due regardless of the amount actually collected. The County would assume the risk associated with collecting all existing and future past due property tax balances.

O. Inventories and Prepaid Assets

Inventories are stated at cost (first-in, first-out basis) and lower of average cost or market for proprietary funds. Governmental fund inventories are recorded as expenses when consumed rather than when purchased. Proprietary fund inventories consist primarily of materials and supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements.

P. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. For fire safety employees the value of the sick pay benefit is converted to additional years of service for purposes of calculating retirement benefits provided by the Public Employees Retirement System (PERS) and the employee is, therefore, compensated through an increased retirement benefit. All other employees upon retirement and with a minimum of 500 hours of accumulated sick pay benefits may elect to have an annuity or the cash value of an annuity for the value of those accumulated hours, calculated based on comparable actuarial assumptions used by PERS.

Governmental funds recognize the cost of vacation and sick pay benefits when payments are made to employees. The City has determined that 90 percent of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2011, is deemed current and expected to be paid within the next 12 months with current financial resources.

The compensated absences for governmental funds will generally be liquidated through the general fund. The balances in the proprietary funds will generally be liquidated through the individual funds.

Q. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs and gains and losses on defeasance, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and gains and losses on defeasance, during the current period. The proceeds of long-term debt issued are reported as "other financing sources". Bonds payable are reported net of the applicable bond premium or discount and gains and losses on refunding. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums received on debt issuances are reported as "other financing sources" while discounts are reported as other financing uses.

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF SANTA BARBARA
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S. Allocated Costs Policy

Expenses reported for functional activities include allocated indirect expenses pursuant to a cost allocation plan prepared in accordance with OMB Circular A-87.

T. GASB Statement No. 51 Implementation

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Management evaluated the criteria and determined that the adoption of GASB Statement No. 51 did not have any on the financial position, results of operations or cash flows of the City.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash	\$ 4,323,383
Investments	167,801,092
Cash and investments with fiscal agents	32,756,703
Fiduciary funds:	
Cash	91,118
Investments	3,510,764
Cash and investments with fiscal agents	769,804
Total cash and investments	<u>\$ 209,252,864</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 49,351
Demand deposit accounts with financial institutions	4,365,149
Investments	204,838,364
Total cash and investments	<u>\$ 209,252,864</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustees/fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF SANTA BARBARA
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<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California/Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Bank/Time Deposits/Non-Negotiable CD's	5 years	None	None
State Investment Pool (LAIF)	N/A	\$50 million**	N/A

* Excluding amounts held by trustees/fiscal agents that are not subject to California Government Code restrictions.

** Per each account for the City and the City's Redevelopment Agency.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustees/fiscal agents are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by trustees/fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
State Investment Pool (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of the overall investment portfolio to 2 ½ years. In addition, the City employs a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the City's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days.

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<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
U.S. Agency Securities	115,216,910	3.3
Corporate Medium Term Notes	6,019,280	1.5
Certificates of Deposit	2,000,000	0.4
State Investment Pool (LAIF)	48,075,667	N/A
Held by Trustees/Fiscal Agents:		
Money Market Funds	18,843,649	N/A
State Investment Pool (LAIF)	5,996,795	N/A
Corporate Bonds	362,791	
U.S. Agency Securities	3,179,391	3.0
Investment Contracts	5,143,881	N/A
Total	<u>\$ 204,838,364</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A- or Above</u>	<u>Unrated</u>
U.S. Agency Securities	\$ 115,216,910	N/A	\$ -	\$ 115,216,910	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Med Term Notes	6,019,280	A	-	-	6,019,280	-	-	-	-
Certificates of Deposit	2,000,000	Collateralized	-	-	-	-	-	-	2,000,000
State Investment Pool (LAIF)	48,075,667	N/A	-	-	-	-	-	-	48,075,667
Held by Trustees/Fiscal Agents:									
Money Market Funds	18,843,649	N/A	-	-	-	-	-	-	18,843,649
State Investment Pool (LAIF)	5,996,795	N/A	-	-	-	-	-	-	5,996,795
Corporate Bonds	362,791	N/A	-	-	51,694	47,654	53,885	209,558	-
U.S. Agency Securities	3,179,391	N/A	-	3,179,391	-	-	-	-	-
Investment Contracts	5,143,881	N/A	5,143,881	-	-	-	-	-	-
Total	<u>\$ 204,838,364</u>		<u>\$ 5,143,881</u>	<u>\$ 118,396,301</u>	<u>\$ 6,070,974</u>	<u>\$ 47,654</u>	<u>\$ 53,885</u>	<u>\$ 209,558</u>	<u>\$ 74,916,111</u>

Disclosure Relating to Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
Federal Farm Credit Bank	U.S. Agency Securities	\$ 29,886,435	14.2
Federal Home Loan Bank	U.S. Agency Securities	44,473,605	21.1
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	15,943,721	7.6
Federal Natl Mortgage Assn	U.S. Agency Securities	28,092,540	13.3

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Disclosure Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2011, \$6,133,599.07 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

On Aug. 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on Aug. 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. In addition, the ratings on 126 Federal Deposit Insurance Corp.-guaranteed debt issues from 30 financial institutions under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) have also been downgraded to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3. DEFERRED AND UNEARNED REVENUE

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net assets as well as governmental and proprietary funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue. Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

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At June 30, 2011, the various components of unearned and deferred revenue reported are as follows:

	<u>Unearned</u>	<u>Deferred (Unavailable)</u>
Governmental funds:		
General Fund:		
Deferred business license tax	\$ 1,078,804	\$ -
Nonmajor Governmental Funds:		
Advances on federal grants for low-income housing	546,456	12,883,916
Total governmental funds	<u>\$ 1,625,260</u>	<u>\$ 12,883,916</u>
Business-type activities:		
Airport Fund:		
Prepaid lease revenue	\$ 410,480	\$ -
Golf Course Fund:		
Golf gift cards	30,371	-
Waterfront Fund:		
Prepaid lease and slipholder revenue	145,798	-
Total business-type activities	<u>\$ 586,649</u>	<u>\$ -</u>

NOTE 4. SPECIAL ASSESSMENTS

On August 1, 1992, the City issued \$10,794,799 of seismic improvement special assessment bonds. The proceeds of the bonds were used to finance the construction and installation of seismic resistance improvements to certain commercial properties within the boundaries of the City of Santa Barbara Seismic Safety Assessment District No. 1. The bonds are limited obligations payable solely from annual assessments to be levied and collected in semi-annual installments on properties within the Assessment District. The City is not obligated to advance funds, other than the bond proceeds placed in a Reserve Fund, in the event of delinquencies in the payment of assessment installments.

Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds or the interest thereon, and no owner of the bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of, and any interest on, the bonds are not a legal debt of the City. The City is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the fiscal agent for payment to bondholders and initiating foreclosure proceedings, if appropriate. At June 30, 2011, the amount of bonds outstanding was \$130,000. The asset and liability is recorded in the Seismic Safety Assessment Agency Fund.

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NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance July 1, 2010	Increases	Decreases	Ending Balance June 30, 2011	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:						
Non-depreciating capital assets:						
Construction in progress	\$ 27,542,577	\$ 11,648,172	\$ (19,021,952)	\$ 20,168,797	\$ 237,640	\$ 20,406,437
Land	50,759,518	988,310	(5,697,822)	46,050,006	-	46,050,006
Streets	160,101,179	-	-	160,101,179	-	160,101,179
Total non-depreciating capital assets	238,403,274	12,636,482	(24,719,774)	226,319,982	237,640	226,557,622
Depreciating capital assets:						
Buildings	52,244,215	-	(25,982,911)	26,261,304	105,889	26,367,193
Building improvements	8,982,231	5,121,985	-	14,104,216	295,223	14,399,439
Improvements other than buildings	42,567,703	5,924,142	(13,989,560)	34,502,285	354,588	34,856,873
Equipment	12,266,013	823,334	-	13,089,347	19,837,975	32,927,322
Infrastructure	129,245,080	12,321,315	-	141,566,395	-	141,566,395
Total depreciating capital assets	245,305,242	24,190,776	(39,972,471)	229,523,547	20,593,675	250,117,222
Less accumulated depreciation:						
Buildings	14,294,090	1,116,712	(3,572,649)	11,838,153	104,566	11,942,719
Building improvements	3,200,302	335,255	-	3,535,557	28,650	3,564,207
Improvements other than buildings	24,794,216	1,581,149	(13,464,202)	12,911,163	59,159	12,970,322
Equipment	7,112,779	1,088,306	-	8,201,085	14,032,745	22,233,830
Infrastructure	56,902,617	2,730,406	-	59,633,023	-	59,633,023
Total accumulated depreciation	106,304,004	6,851,828	(17,036,851)	96,118,981	14,225,120	110,344,101
Total capital assets, being depreciated, net	139,001,238	17,338,948	(22,935,620)	133,404,566	6,368,555	139,773,121
Total governmental capital assets, net	\$ 377,404,512	\$ 29,975,430	\$ (47,655,394)	\$ 359,724,548	\$ 6,606,195	\$ 366,330,743

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
Administration	\$ 103,835
Public safety	170,492
Public works	4,761,443
Community services	592,206
Community development	1,223,852
General governmental depreciation	6,851,828
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	1,386,010
Total depreciation expense - governmental activities	\$ 8,237,838

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	Beginning Balance July 1, 2010	Increases	Decreases	Ending Balance June 30, 2011
Business-Type Activities:				
Non-depreciating capital assets:				
Land	\$ 19,201,133	\$ 5,697,822	\$ -	\$ 24,898,955
Construction in progress	53,966,628	35,981,183	(26,341,275)	63,606,536
Total non-depreciating capital assets	73,167,761	41,679,005	(26,341,275)	88,505,491
Depreciating capital assets:				
Buildings	43,230,691	25,982,912	-	69,213,603
Building improvements	8,079,100	1,194,051	-	9,273,151
Other improvements and drainage	339,621,834	40,329,092	-	379,950,926
Equipment	33,666,175	3,748,509	(279,364)	37,135,320
Underground piping	176,674,296	405,448	-	177,079,744
Infrastructure	15,980,481	-	-	15,980,481
Total depreciating capital assets	617,252,577	71,660,012	(279,364)	688,633,225
Less accumulated depreciation:				
Buildings	24,341,322	4,517,166	-	28,858,488
Building improvements	2,872,248	229,246	(191,606)	2,909,888
Other improvements and drainage	157,409,333	23,051,002	-	180,460,335
Equipment	17,525,965	2,604,541	(6,985)	20,123,521
Underground piping	93,519,096	4,058,430	-	97,577,526
Infrastructure	6,896,263	325,547	-	7,221,810
Total accumulated depreciation	302,564,227	34,785,932	(198,591)	337,151,568
Net depreciating capital assets	314,688,350	36,874,080	(80,773)	351,481,657
Total business-type activities				
Capital assets, net	\$ 387,856,111	\$ 78,553,085	\$ (26,422,048)	\$ 439,987,148

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:

Water	\$ 6,458,709
Wastewater	4,244,534
Airport	4,681,769
Waterfront	1,288,551
Downtown parking	652,829
Golf	224,099
Total depreciation expense - business-type activities	\$ 17,550,491
Adjust for transfer of accumulated depreciation related to parking structures	17,036,850
Adjust for correction of accumulated depreciation within capital asset categories.	198,591
	<u>\$ 34,785,932</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2011, is as follows:

<u>Due to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 220,050
		<u>\$ 220,050</u>
<u>Advances to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Course Fund	\$ 500,000
General Fund	Waterfront	2,758,686
General Fund	Airport Fund	866,196
Creek Restoration		373,828
Transportation Development		13,324
County Library		31,254
Measure "D"		133,325
Measure "A"		29,687
Water		1,725,388
Wastewater		582,080
Downtown Parking		310,542
Golf Course		33,377
Waterfront		402,808
Self-Insurance		427,195
Vehicle Capital		338,464
		<u>5,267,468</u>
		<u>\$ 8,526,154</u>

The interfund balances at June 30, 2011, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling \$2,758,686 at June 30, 2011, were for the purposes of rehabilitation of the Stearns Wharf, development of a waterfront parking program, and construction of administrative offices and remodel of the Chandlery Building. The advances for the Stearns Wharf and parking program bear no interest and are repayable as the Waterfront Fund's results of operations permit. The advance for construction of administrative offices and remodel of the Chandlery Building bears interest at 6%, with payments due annually.

The City's General Fund advanced money to the Golf Course Nonmajor Enterprise Fund. These advances, totaling \$500,000 at June 30, 2011, were for the purposes of the Golf Safety Improvement Master Plan. The advance bears interest at 6%, with payments beginning in fiscal year 2012.

Various City funds advanced money to the Airport Fund for a total amount of \$7,300,000 in July 2009. The advance was for the purpose of constructing a new joint use rental car facility for use by the rental car companies serving the Airport. The advance bears an interest rate of 7% with annual payments of \$587,714. The final payment is due June 30, 2029.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

A summary of interfund transfers during the year follows:

<i>Fund Transferred From</i>	<i>Fund Transferred To</i>							<i>Internal Service Funds</i>	<i>Total</i>
	General	Economic	Redevelopment	Other	Downtown				
	Fund	Development	Agency Capital Project	Governmental Funds	Parking	Subtotal			
Governmental Funds									
General Fund	\$ -	\$ -	\$ -	\$ 983,811	\$ 43,500	\$ 1,027,311	\$ 33,333	\$ 1,060,644	
Redevelopment Agency									
Special Revenue	-	58,168,306	12,390,247	-	-	70,558,553	-	70,558,553	
Solid Waste	50,000	-	-	-	-	50,000	-	50,000	
Other Governmental Funds	711,720	-	-	3,096,201	-	3,807,921	-	3,807,921	
Enterprise Funds									
Water	-	-	-	-	-	-	-	-	
Wastewater	-	-	-	-	-	-	229,278	229,278	
Airport	-	-	-	-	-	-	-	-	
Waterfront	-	-	-	-	-	-	-	-	
Downtown Parking	312,621	-	-	-	-	312,621	-	312,621	
Total	<u>\$ 1,074,341</u>	<u>\$ 58,168,306</u>	<u>\$ 12,390,247</u>	<u>\$ 4,080,012</u>	<u>\$ 43,500</u>	<u>\$ 75,756,406</u>	<u>\$ 262,611</u>	<u>\$ 76,019,017</u>	

The interfund transfers are generally made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers, and for capital projects expenditures funded by the City's General Fund. In the current year, the City of Santa Barbara and Redevelopment Agency entered into a cooperative agreement which transferred all of the Redevelopment Agency's assets to the City's new Economic Development Fund.

NOTE 7. LONG-TERM DEBT

The City has issued debt in both the governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include (1) Revenue Bonds where the City pledges income derived from a business-type activity to pay debt service, (2) tax allocation bonds where property tax allocations of the Redevelopment Agency are pledged to pay debt service, (3) certificates of participation that pledge general government revenue to pay base rent payments to the Santa Barbara Public Financing Corporation for real property and improvements owned by the City, and (4) loans from other governmental agencies. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. The claims liability item is generally liquidated by the general fund (see note 11).

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

Long-term liability activity for the year ended June 30, 2011, is as follows:

	Beginning Balance July 1, 2010	Additions	Deductions	Ending Balance June 30, 2011	Due Within One Year	Due in More Than One Year
<u>Governmental Activities</u>						
Certificates of participation	\$ 2,349,600	\$ -	\$ 254,100	\$ 2,095,500	\$ 264,000	\$ 1,831,500
Tax allocation bonds	58,880,000	-	5,470,000	53,410,000	5,705,000	47,705,000
Unamortized debt premium	901,502	-	100,166	801,336	-	801,336
Unamortized debt discount	(243,346)	-	(27,038)	(216,308)	-	(216,308)
Governmental funds debt issues	61,887,756	-	5,797,228	56,090,528	5,969,000	50,121,528
Compensated absences	6,733,541	5,379,370	5,190,840	6,922,071	6,229,864	692,207
Claims liability	5,352,223	2,455,361	2,539,718	5,267,866	2,560,013	2,707,853
Governmental activity						
Long-term liabilities	73,973,520	7,834,731	13,527,786	68,280,465	14,758,877	53,521,588
<u>Business-Type Activities</u>						
Revenue bonds	67,470,000	-	1,200,000	66,270,000	1,250,000	65,020,000
Certificates of participation	28,240,400	-	1,140,900	27,099,500	1,191,000	25,908,500
Loans	40,490,794	1,603,277	8,187,214	33,906,857	1,985,533	31,921,324
Unamortized debt premium	136,391	-	7,577	128,814	-	128,814
Unamortized debt discount	(1,275,652)	-	(47,903)	(1,227,749)	-	(1,227,749)
Loss on defeasance	(1,644,768)	-	(100,049)	(1,544,719)	-	(1,544,719)
	133,417,165	1,603,277	10,387,739	124,632,703	4,426,533	120,206,170
Compensated absences	1,560,437	1,324,209	1,202,930	1,681,716	1,513,544	168,172
Business-type activity						
Long-term liabilities	134,977,602	2,927,486	11,590,669	126,314,419	5,940,077	120,374,342
Total debt activity	\$ 208,951,122	\$ 10,762,217	\$ 25,118,455	\$ 194,594,884	\$ 20,698,954	\$ 173,895,930

A description of long-term obligations outstanding at June 30, 2011, by category follows:

	Amount Outstanding June 30, 2011
<u>Governmental Activities</u>	
<u>Tax Allocation Bonds</u>	
<u>Redevelopment Agency:</u>	
<i>\$7,150,000</i> - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$490,000 to \$620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.	\$ 4,405,000
<i>\$34,810,000</i> - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$2,075,000 to \$2,835,000 through March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.	19,395,000
<i>\$38,855,000</i> - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$3,140,000 to \$4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.	29,610,000
Total tax allocation bonds	<u>53,410,000</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

Certificates of Participation

General Fund:

\$4,184,400 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements in the City's Municipal Improvements Program. Remaining annual installments range from \$264,000 to \$339,900 beginning August 1, 2007 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

2,095,500

Total Governmental Activities

\$ 55,505,500

Business-Type Activities

Revenue Bonds

Water Fund:

\$9,780,000 - 1994A water revenue refunding serial bonds. Bonds issued to provide funds in order to refund the outstanding City of Santa Barbara Water Revenue and Refunding Bonds of 1979, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$620,000 to \$720,000 through September 1, 2014. Interest rates range from 4.3% to 4.8% payable semi-annually on March 1st and September 1st.

\$ 2,685,000

Wastewater Fund:

\$20,410,000 - 2004A sewer revenue serial bonds. Bond proceeds are used to provide funds for the acquisition of certain capital improvements to the Wastewater system. Remaining annual installments range from \$630,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.

16,315,000

Airport Fund:

\$47,270,000 - 2009 Airport Revenue Bonds. Bonds issued to provide funds to construct a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Remaining annual principal installments range from \$865,000 to \$2,995,000 through July 1, 2039.

47,270,000

Total revenue bonds

66,270,000

Certificates of Participation

Waterfront Fund:

19,405,000 - 2002 Waterfront Refunding Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates of Participation, which were used to finance capital improvements at the waterfront. Remaining annual installments range from \$555,000 to \$1,230,000 through October 1, 2027. Term certificates of \$16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually.

14,425,000

Golf Fund:

\$2,155,600 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements at the golf course. Remaining annual installments range from \$136,000 to \$175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

1,079,500

Water Fund:

\$15,535,000 - 2002 Refunding Water Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$500,000 to \$1,030,000 through September 1, 2026. Interest rates range from 3.0% to 4.75% payable semi-annually.

11,595,000

Total certificates of participation

27,099,500

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

Loans Payable

Water Fund:

\$5,000,000 - State Department of Water Resources Loan. Funds used to finance capital improvements to the water distribution system. Due in 20 annual payments on April 30. Interest is 3.1% per annum. The final payment of \$199,706 is due April 30, 2012.

199,706

\$17,900,849 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025.

13,434,335

\$19,997,929 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of \$655,935. Interest is 2.7934% per annum. The final payment is due January 1, 2027.

16,412,638

Airport Fund:

\$2,450,339 - State Department of Transportation loan. Funds used to finance capital improvements at the airport. Due in 17 annual payments of \$218,714. Interest is 5.0843% per annum. The final payment is due June 30, 2024.

2,044,114

Waterfront Fund:

\$5,501,000 - State Department of Boating and Waterways loan. Funds used to finance capital improvements at the marina. Interest is 4.5% per annum. Once all phases of the project are complete, the total amount borrowed will be repaid to the State with fixed annual principal and interest payments due each year on August 1 for 30 years.

1,816,064

Total loans payable

33,906,857

Total business-type activities

\$ 127,276,357

The annual requirements to amortize all long-term debt outstanding as of June 30, 2011 are as follows:

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

Fiscal Year Ending	Governmental Activities		Business-type Activities			Total
	Principal Payments					
	Tax Allocation Bonds	Certificates of Participation	Revenue Bonds	Certificates of Participation	Other Loans	
2012	\$ 5,705,000	\$ 264,000	\$ 1,250,000	\$ 1,191,000	\$ 1,985,533	\$ 10,395,533
2013	5,925,000	273,900	2,175,000	1,236,100	1,836,362	11,446,362
2014	6,195,000	287,100	2,265,000	1,292,900	1,888,394	11,928,394
2015	6,485,000	300,300	2,355,000	1,349,700	1,941,970	12,431,970
2016	6,790,000	306,900	1,700,000	1,413,100	1,997,137	12,207,137
2017 - 2021	22,310,000	663,300	9,690,000	7,676,700	10,872,571	51,212,571
2022 - 2026	-	-	12,025,000	9,515,000	10,921,927	32,461,927
2027 - 2031	-	-	12,470,000	3,425,000	2,462,963	18,357,963
2032 - 2036	-	-	11,195,000	-	-	11,195,000
2037 - 2040	-	-	11,145,000	-	-	11,145,000
Total Principal	\$ 53,410,000	\$ 2,095,500	\$ 66,270,000	\$ 27,099,500	\$ 33,906,857	\$ 182,781,857

Fiscal Year Ending	Interest Payments					Total
2012	\$ 2,443,030	\$ 85,983	\$ 3,115,050	\$ 1,341,267	\$ 892,650	\$ 7,877,980
2013	2,220,460	75,225	3,028,430	1,292,019	838,467	7,454,601
2014	1,949,835	63,647	2,936,570	1,236,089	786,435	6,972,576
2015	1,662,175	50,976	2,840,355	1,172,540	732,860	6,458,906
2016	1,356,980	37,502	2,747,275	1,105,136	677,692	5,924,585
2017 - 2021	2,123,273	31,019	12,560,583	4,385,821	2,501,577	21,602,273
2022 - 2026	-	-	10,138,205	2,130,538	870,547	13,139,290
2027 - 2031	-	-	6,880,500	147,769	65,276	7,093,545
2032 - 2036	-	-	3,960,500	-	-	3,960,500
2037 - 2040	-	-	870,000	-	-	870,000
Total Interest	\$ 11,755,753	\$ 344,352	\$ 49,077,468	\$ 12,811,179	\$ 7,365,504	\$ 81,354,256
Total Debt	\$ 65,165,753	\$ 2,439,852	\$ 115,347,468	\$ 39,910,679	\$ 41,272,361	\$ 264,136,113

GASB 48 Disclosure – Pledging of revenues:

Tax Allocation Bonds:

Annual principal and interest payments on the RDA tax allocation bonds are expected to require approximately 45% of net tax increment revenues. The total principal and interest remaining to be paid on the Bonds is \$65,165,753 as of June 30, 2011. For the current year, principal and interest paid on the Bonds was \$8,149,979 and property tax increment net revenues were \$19,956,632. The Bonds required 41% of net revenues.

Revenue Bonds:

Annual principal and interest payment on the water revenue bonds are expected to require approximately 10% of net available revenues. Total principal and interest remaining to be paid on the Bonds is \$2,950,800 as of June 30, 2011. For the current year, principal and interest paid on the Bonds was \$733,040 and total water net revenues were \$9,162,174. The Bonds required 8% of net revenues.

Annual principal and interest payment on the wastewater revenue bonds are expected to require approximately 45% of net available revenues. Total principal and interest remaining to be paid on the Bonds is \$24,379,693 as of June 30, 2011. For the current year, principal and interest paid on the Bonds was \$1,352,038 and total wastewater net revenues were \$3,850,542. The Bonds required 35% of net revenues. The City has complied with all bond covenants.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

NOTE 8. CONTINGENCIES AND COMMITMENTS

Litigation and Claims

The City is presently involved in matters of litigation and claims that have arisen in the normal course of conducting City business. City management believes that, based upon consultation with the City Attorney, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

Construction

Various construction projects were in progress at June 30, 2011 with an estimated cost to complete of approximately \$49,582,000 in all fund types.

NOTE 9. RETIREMENT COMMITMENTS

Employee Retirement Systems and Pension Plans

Plan Description

The City of Santa Barbara contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial reports may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces a level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

Funding Policy

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Under GASB 27, the City reports its annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the actual plan contributions for the year. The cumulative difference is the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 18.564%, the safety police plan rate is 28.556%, and the safety fire plan rate is 28.709% of payroll. Miscellaneous, non-safety, members contribute 8% and safety members contribute 9% of their annual covered salary. The City makes a portion of the contributions required of City employees on their behalf and for their account. The City paid 1.327% of the miscellaneous, non-safety employees' required contribution in the fiscal year ended June 30, 2011 and 100% of the safety employees' required contribution. The contribution requirements of the City and plan members are established and may be amended by PERS.

A CalPERS member, safety and non-safety, becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Annual Pension Cost

For fiscal year ended June 30, 2011, the City's annual pension costs for all of the retirement plans, in the amount of \$21,529,861 for PERS, was equal to the City's and employees' required and actual contributions. The required contribution for fiscal year 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2008
(b) Amortization method	level percent of payroll
(c) Average remaining period	20 years (non-safety), 32 years (safety) as of the valuation date
(d) Asset valuation method	15 years smoothed market
(e) Actuarial assumptions:	
-investment rate of return	7.75% (net of administrative expenses)
-projected salary increases	3.25% to 13.15% depending on age, service and type of employment – safety
	3.25% to 14.45% depending on age, service, and type of employment – non-safety
-inflation	3.00%
-payroll growth	3.25%
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Three-year trend information for the City's Annual Pension Cost for all plans follows:

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

Three-year Trend Information (all Plans):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	\$ 23,155,836	100%	-
06/30/10	22,084,844	100%	-
06/30/11	21,529,861	100%	-

Funded Status of the Plans

The tables below display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. The following data is based upon the most recent actuarial valuation dated June 30, 2008 as provided by CalPERS.

Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
<u>Miscellaneous Plan:</u>							
2011	06/30/08	\$ 325,959,823	\$ 264,529,982	\$ 61,429,841	81.2%	\$ 52,403,289	117.2%
<u>Safety Fire Plan:</u>							
2011	06/30/08	\$ 122,124,602	\$ 101,954,942	\$ 20,169,660	83.5%	\$ 9,669,632	208.6%
<u>Safety Police Plan:</u>							
2011	06/30/08	\$ 158,045,346	\$ 129,677,993	\$ 28,367,353	82.1%	\$ 14,898,978	190.4%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for the benefits.

City Fire and Police Pension Plans

Plan Description

In addition to the California PERS, the City provides two additional single-employer, defined benefit pension plans. One, the Safety Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965. The second plan, the Service Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965, and who were disabled due to job related injuries. A total of seventeen (15) former public safety (police and fire) employees receive a monthly pension retirement benefit in the form of a cash stipend directly from the City. Both plans have been closed to all other employees as of May 1965 and contributions from the employer and employees also ceased on that date. The City administers the plans in compliance with and under the authority of Article XVA of the City Charter. The costs of administering the plans are financed with investment earnings. As of June 30, 2011, nine (9) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and six (6) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund. Separate audited financial statements are not issued for either plan.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2011

Funding Policy

All of the pensioners are retirees. Plan assets diminished considerably as retirees are paid out of the plan and the City has not made contributions. At June 30, 2011, the City has a net pension obligation (NPO) of \$133,000. The City's annual pension cost and net pension obligation for both Plans are shown on the next page.

Annual required contribution	\$ 149,000
Interest on net pension obligation	44,000
Adjustments to annual required contribution	<u>(84,000)</u>
Annual pension cost (expense)	109,000
Contributions made	<u>(884,092)</u>
Increase (decrease) in net pension obligation	(775,092)
Net pension obligation - beginning of year	<u>908,092</u>
Net pension obligation - end of year	<u><u>\$ 133,000</u></u>

Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	July 1, 2010	July 1, 2010
Asset valuation	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool
Actuarial cost method*	Unit Credit	Unit Credit
Number of participants	9	6
Actuarial assumptions:		
Interest Rate	7%	7%
Cost of Living Increases	No surviving participants are eligible for increases	
Mortality	RP-2000 projected to 2009 Annuitant Mortality Table for males and females	

*The unit credit actuarial cost method amortizes unfunded actuarial liabilities over the average remaining lifetime of participants.

Three-year Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	\$ 153,000	0%	\$ 595,000
06/30/10	140,000	0%	624,000
06/30/11	109,000	0%	133,000

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Funded Status of the Plans

The tables below display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. The following data is based upon the most recent actuarial valuation dated July 1, 2010.

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>
<u>Safety Retirement Plan & Service Retirement Plan</u>					
2011	07/01/10	\$ 1,337,000	\$ 225,879	\$ 1,111,121	16.9%

*The City did not perform separate valuation on the Safety Retirement and the Service Retirement Plan

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for the benefits.

Financial Information of the Plans

All members of the plan are retired. The plans were closed as of 1965. Financial information of the plans is as follows:

	<u>Safety Retirement</u>	<u>Service Retirement</u>
Total Assets	\$ -	\$ 682,339
Total Liabilities	\$ 461,543	\$ -
Total Net Assets Available for Benefits	\$ (461,543)	\$ 682,339
Contributions	\$ 224,362	\$ 493,626
Investments Earnings	\$ -	\$ 61,904
Benefits Payments	\$ (106,775)	\$ (99,070)
Net Changes in Net Assets Available for Benefits	\$ 117,587	\$ 456,460

Deferred Compensation Plan

The City offers two deferred compensation plans for regular employees and one for hourly employees created in accordance with Internal Revenue Code Section 457. Under the terms of these plans, employees may defer amounts of income up to a maximum of \$15,500 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

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NOTE 10. CLASSIFICATION OF NET ASSETS

In the Government-wide financial statements, net assets are classified as the following:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Assets* – This category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Specific Projects and Programs, and Debt Service as established by the City Council.
- *Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the Fund financial statements, governmental funds report the following fund balance classifications:

- *Nonspendable* – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – Amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- *Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council of the City of Santa Barbara. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the City Council of the City of Santa Barbara.
- *Assigned* – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator or Finance Director are authorized to assign amounts to a specific purpose.
- *Unassigned* – Residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

The components of the City's fund balances at June 30, 2011, consist of the following:

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	General Fund	Special Revenue Funds		Capital Project Funds	Other Governmental Funds	Total Governmental Funds
		Economic Development	Solid Waste	Redevelopment Agency		
Fund Balances:						
Nonspendable:						
Prepaid assets and deposits	\$ 11,938	\$ -	\$ -	\$ -	\$ -	\$ 11,938
Loans receivable	4,175,873	-	-	-	-	4,175,873
Advances to other funds	4,124,882					4,124,882
Restricted for:						
Administration	46,875	-	-	-	-	46,875
Public safety	65,857	-	-	-	1,420,241	1,486,098
Public works	52,718	-	728,433	-	7,697,958	8,479,109
Community services	143,926	-	-	-	890,869	1,034,795
Community development	153,972	53,652,875	-	-	82,185	53,889,032
Capital improvements	-	4,515,431	-	32,813,066	8,121,678	45,450,175
Debt service reserve	-	-	-	-	561,248	561,248
Committed for:						
Public works	-	-	10,003	-	49,355	59,358
Capital improvements	-	-	-	-	2,606,780	2,606,780
Assigned to:						
Public works	-	-	651,950	-	-	651,950
Capital improvements	-	-	-	-	1,556,111	1,556,111
Unassigned:	17,769,939	-	-	-	(339,691)	17,430,248
Total Fund Balances	<u>\$ 26,545,980</u>	<u>\$ 58,168,306</u>	<u>\$ 1,390,386</u>	<u>\$ 32,813,066</u>	<u>\$ 22,646,734</u>	<u>\$ 141,564,472</u>

NOTE 11. SELF-INSURANCE FUND

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since 1974, and partially self-insured for general and automobile liability since 1978. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past three fiscal years.

The City's self-insured retention for workers' compensation is \$750,000. An indemnity policy provides statutory limits of in excess of the City's self-insured retention and a \$5 million pooled layer. Employers' Liability is also included with the limits of \$5 million. The City's self-insured retention for general and automobile liability is \$1,000,000. Excess liability coverage is purchased from the commercial market. Coverage provides limits of \$45 million in excess of the City's self-insured retention and a \$4 million pooled layer. Insurable property is covered for all risks by policies with a pooled aggregate limit of \$1 billion. Earthquake and flood coverage have designated limits of \$50 million per peril. Unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a faithful performance bond. There were no claims made against any of these policies during the past fiscal year.

The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk pool created for the purpose of pooling various public sector risks. ACCEL began its twenty-third program year July 2010 with membership totaling twelve (12) cities. ACCEL was formed under the Joint Powers Agreement (JPA) provisions of State Law (Government Code Sections 990, 990.4, 990.8 and 6500-6515). In addition to the joint powers agreement, ACCEL is governed by bylaws, an investment policy, and a Memorandum of Coverage, adopted by the ACCEL members.

ACCEL settlements have not exceeded coverage in any of the past fiscal years. ACCEL now transfers most of its risk sharing exposures through the purchase of a four layer commercial policy underwritten by various carriers. ACCEL members have a \$1 million self-insured retention. ACCEL pools the next \$4 million and commercial carriers provide \$45 million above that level.

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A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above their self-insured retention (SIR). This document also serves as the manuscript form for which the commercial carriers provide coverage. Coverage includes comprehensive general and automobile liability protecting against bodily injury, property damage, public officials errors and omissions, personal injury, employment practices, as well as damages arising from owned, non-owned, and hired automobiles.

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting and finance. ACCEL conducts annual financial, claims, and payroll audits, with an actuarial review performed every two years. A retrospective rating is performed each year on the program year ended five years earlier. The retrospective rating determines each member's share of losses and deposit return. ACCEL members share pool losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to ensure that funds are available to pay pool losses. ACCEL collects a deposit from each member for each program year in which the member participates. Separate deposit accounts are set for each member for each year of participation. Deposits are invested into pre-approved vehicles and each member account is credited monthly with investment income at the rate earned by the investment vehicle. ACCEL adopted its investment policy in accordance with existing government code criteria.

The City's self-insurance fund is financed through contributions made by the City's General and Enterprise Funds. A cost allocation plan is used to apportion self-insurance fund costs. An actuarial study is performed every two-years. Actuarially determined liabilities in the fund include provisions for "incurred but not reported" claims. As of June 30, 2011, the estimated outstanding liabilities are \$4,111,718 for workers' compensation and \$1,156,148 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2011. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2011, the liability for unemployment claims was \$73,862.

A summary of changes in claims liabilities is shown below:

	2011	2010	2009
Claims liabilities, July 1	\$ 5,352,223	\$ 5,920,988	\$ 5,669,901
Incurred claims	2,455,361	1,590,951	2,510,043
Actuarial adjustment	(84,357)	(568,765)	251,086
Payments on claims attributable to events of current and prior years	(2,455,361)	(1,590,951)	(2,510,042)
Claims liabilities, June 30	<u>\$ 5,267,866</u>	<u>\$ 5,352,223</u>	<u>\$ 5,920,988</u>

NOTE 12. JOINT VENTURES

In 1991, the City's electorate approved participation in the State Water Project (SWP). As a result, the City joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each Santa Barbara Project participant, including the City of Santa Barbara, has entered into a Water Supply Agreement in order to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by: (1) requiring CCWA to sell, and the Santa Barbara Project participants to buy, a specified amount of water from CCWA ("take or pay"); and (2) assigning the Santa Barbara Project participant's entitlement rights in the State Water Project to CCWA. Although the City does have an ongoing financial responsibility pursuant to the Water Supply Agreement between the City and CCWA, the City does not have an equity interest as defined by GASB Cod. Sec. J50.105.

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Each Santa Barbara Project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the Santa Barbara Project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs.

Each Santa Barbara Project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are apportioned between the entities based upon each entity's pro-rata share of the water provided by the project. The City's share of the project, based upon number of acre-feet of water, is 7.7%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold \$177,200,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users within Santa Barbara County, and certain local improvements to the water systems of some of the participating purveyors.

On November 1, 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

On September 28, 2006, CCWA sold \$123,190,000 of revenue bonds at an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an average interest rate of 5.47%.

Pursuant to the Water Supply Agreement, the City of Santa Barbara's payments to CCWA includes its share of DWR's fixed and variable costs, the debt service requirements on the CCWA Bonds, CCWA's fixed operating and maintenance costs, and variable costs, as shown on the following table:

Fiscal Year	DWR COSTS		CCWA COSTS				TOTAL CCWA AND DWR COSTS
	Fixed Costs	Variable Costs (1)	Fixed Costs	Variable Costs (1)	Debt Service	Total CCWA Costs	
2011/12	\$ 2,474,037	\$ 81,350	\$ 282,942	\$ (84)	\$ 1,730,605	\$ 2,013,463	\$ 4,568,850
2012/13	2,581,775	107,326	240,019	5,241	1,732,507	1,977,767	4,666,868
2013/14	2,637,266	93,546	252,414	16	1,739,285	1,991,716	4,722,528
2014/15	2,748,275	90,048	265,187	16	1,730,803	1,996,006	4,834,328
2015/16	2,861,991	-	273,142	-	1,727,612	2,000,754	4,862,745
Thereafter	52,240,304	-	7,559,619	-	10,340,263	17,899,882	70,140,186
TOTAL:	\$ 65,543,648	\$ 372,271	\$ 8,873,323	\$ 5,189	\$ 19,001,075	\$ 27,879,587	\$ 93,795,506

(1) Variable costs only shown through 2014/15 because delivery information is not available thereafter.

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Additional information and complete financial statements for the CCWA are available for public inspection in the Finance Department at City Hall, 735 Anacapa Street, between the hours of 7:30 am and 5:30 p.m., Monday through Thursday.

The City of Santa Barbara Water Fund has entered into a cost sharing agreement with the Carpinteria Valley Water District (Carpinteria) and the Montecito Water District (Montecito) for water treatment and distribution. Under the agreement, Carpinteria reimburses the City 20% of the costs to operate the City's Cater Treatment Plant and Montecito reimburses 19.7% of the costs.

The Districts also agreed to reimburse the City for a pro rata portion of debt issued by the City to make improvements to the water treatment plant. The City currently has two loans outstanding with the California State Department of Water Resources for improvements to the plant (see Note 7) with principal balances outstanding of \$199,706 and \$13,434,335.

The Districts repay the City semi-annually for the costs of the water treatment improvements plus interest. These repayments by the Districts will be paid through June 30, 2025.

NOTE 13. PROPOSITION 218 IMPACTS

Proposition 218, which was approved by the state's voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

The taxes, fees, and assessments that are subject to the provisions of Proposition 218 that the City currently imposes for its own benefit or as an agent for a special district, or receives from other governmental agencies potentially include business license fees. At this time, it is uncertain how Proposition 218 will affect the City's ability to establish new, or increase existing, revenues it receives from taxes, assessments and fees. All other taxes, fees and assessments were approved by vote prior to the effective date of Proposition 218.

NOTE 14. EMPLOYEE MORTGAGE LOAN ASSISTANCE PROGRAM

On October 2, 2001 the City Council created an Employee Mortgage Loan Assistance Program ("EMLAP"). The purpose of the program is to help the City attract and retain highly qualified employees by providing assistance in dealing with the high cost of home ownership in the Santa Barbara area. The goals of the program include establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program is open to all permanent employees who are "first-time homebuyers" (defined as not having owned a home on the South Coast of Santa Barbara County within the last three years). Homes purchased under the City's EMLAP must be located on the South Coast of Santa Barbara County. The City's EMLAP is structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

Employee down payment (minimum)	5%
Bank-provided 1st Deed of Trust loan	80%
City-funded 2nd Deed of Trust loan (maximum)	<u>15%</u>
Total financing	<u>100%</u>

Under the terms of the EMLAP, City participation is limited to a purchase price of \$1,250,000. Therefore, the maximum second deed of trust loan available to an employee is \$187,500 (15% of \$1,250,000). Interest on the City loan is variable, adjusted annually, and is set equal to the most recent quarterly interest rate paid the City on its State of California Local Agency Investment Fund ("LAIF rate") balances. The loan is repayable over 15 years, with interest only due for the first five years, converting to a thirty year amortization schedule payable over 10 years with a balloon payment due at the end of 15 years. Payment is made by payroll deduction. To assist the employee, the City will also pay up to four (4) points to the bank

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on the employee's first deed of trust loan up to \$40,000 in order to "buy down" the interest rate on the first trust deed. The points paid by the City are to be repaid when the second trust deed is refinanced or if the home is sold. However, if the employee maintains continuous employment with the City for 5 years from the date of the loan, 25% of the value of the points loan obligation will be forgiven, and after 10 years 50% will be forgiven. Upon termination of employment the second deed of trust loan, and any related points, are payable either on the fifth anniversary of the loan, or 180 days from the last day of employment, whichever is longer

As of June 30, 2011, the City has \$4,175,873 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

NOTE 15. DEFICIT FUND EQUITY

The Safety Retirement Pension Trust Fund has a deficit fund balance of (\$461,543) as of June 30, 2011. The deficit will be eliminated through contributions from the City's General Fund.

The Street Grant Capital Fund has a deficit fund balance of (\$339,691) as of June 30, 2011. Staff is working on the reconciliation of various grant-funded capital projects. Once all the accounting and reimbursable project costs are finalized, staff will be determining if remaining costs are expected to be reimbursed or if Street Capital Fund transfers will be required to eliminate the deficit fund balance.

NOTE 16. OTHER POST-EMPLOYMENT BENEFITS

Retiree Medical Care Benefits

Plan Description. The City provides a retiree medical insurance contribution benefit, in accordance with employee Memorandum of Understanding, to retired employees. This is a single employer defined benefits OPEB plan. The benefit is applicable to employees who retire from City service and,

1. Have 15 or more years of classified or unclassified service; or
2. Retire from City with an industrial disability.

The City contributes an amount each month towards the purchase of medical insurance for the retiree and his/her spouse or domestic partner registered with the City Clerk or the Secretary of State, if applicable. The monthly amount is determined by the applicable Memorandum of Agreement of the retired employee. The payment is based upon the employees' years of service up to a maximum of 35 years, multiplied by the annual amount for the respective employee unit. The City will continue to make its contribution until the retiree reaches age 65 or dies, whichever occurs first, provided however, that if the retiree dies before reaching the age of 65 and there is a surviving spouse or registered domestic partner, the City's contribution shall cease when the retiree would have reached age 65. Thereafter, the spouse may remain on the insurance plan, at his/her own cost, subject to the conditions set forth by the insurance company.

For the Police bargaining unit only: The City will continue the normal retiree medical allowance past the age of 65 for the six (6) specified employees named in the Police Memorandum of Understanding who retire after December 23, 2006 and thereafter certify, on an annual basis, that they are not eligible to apply for Medicare Part A (hospitalization) coverage on the basis of their City service, other covered employment, through a spouse's covered employment, or through any other means. The OPEB plan does not have a stand-alone financial report.

Funding Policy. The City currently administers its retiree medical plan. There is no requirement to contribute any amount beyond the pay-as-you-go contributions. If retirees elect medical insurance coverage through the City, the retiree pays the entire cost of the premiums, less the City's monthly payment to the retiree.

The City is evaluating various options for funding the post retirement health benefits liability. The City has not set up a trust for purposes of funding the required retiree medical payments but has elected to continue funding the benefit on a pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections

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from the November 7, 2011 actuarial valuation study performed by Aon Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 3,275,000
Interest on net OPEB obligation	166,000
Adjustments to annual required contribution	<u>(151,000)</u>
Annual OPEB cost (expense)	3,290,000
Contributions made	<u>(1,176,000)</u>
Increase (decrease) in net OPEB obligation	2,114,000
Net OPEB obligation - beginning of year	<u>4,142,000</u>
Net OPEB obligation - end of year	<u><u>\$ 6,256,000</u></u>

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and each of the preceding two years was as follows:

Year Ended	Annual OPEB Cost	Cost Contributed	Percentage Contribution	OPEB Obligation
6/30/2009	\$ 1,882,000	940,000	50%	1,953,000
6/30/2010	\$ 3,131,000	942,000	30%	4,142,000
6/30/2011	\$ 3,290,000	1,176,000	36%	6,256,000

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows:

Schedule of Funding Progress (000s Omitted)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2009	\$ -	\$ 30,697	\$ 30,697	0%	\$ 76,267	40.25%
7/1/2010	\$ -	\$ 33,009	\$ 33,009	0%	\$ 78,746	41.92%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits.

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method - In the June 30, 2011 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) - Level Percentage of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

Discount Rate - 4.00% - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

Payroll Increases - 3.25% - This is the annual rate at which total payroll (\$76 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

Mortality, Disability, Retirement Age, & Turnover - Mortality, disability, retirement age, and turnover rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation.

Sick Leave Retiree Benefits

Plan Description. The City provides additional retirement benefits based on unused accumulated sick leave to eligible employees who retire with CalPERS pension benefits immediately upon termination of employment from the City. Under this plan, unused accumulated sick leave balances are converted to credited service that is used to provide additional retirement benefits. Annuity benefits are determined based on credited service, final average compensation, and the CalPERS benefit formulas. Employees are eligible for benefits if they terminate employment at a minimum of age 50 and 5 years service. Eligibility is applicable to employees who retire directly from City employment and have accrued at least 500 of unused sick leave.

Funding Policy. The City is evaluating various options for funding the sick leave retirement benefits. The City has not set up a trust for purposes of funding the required sick leave retiree benefits but has elected to continue funding the benefit on a

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pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections from the November 7, 2011 actuarial valuation study performed by Aon Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 367,000
Interest on net OPEB obligation	2,000
Adjustments to annual required contribution	<u>(2,000)</u>
Annual OPEB cost (expense)	367,000
Contributions made	<u>(245,000)</u>
Increase (decrease) in net OPEB obligation	122,000
Net OPEB obligation - beginning of year	<u>45,000</u>
Net OPEB obligation - end of year	<u><u>\$ 167,000</u></u>

The City Sick Leave Retirement Benefits annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2011 was as follows:

(000s Omitted)				
Fiscal Year Ending	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
6/30/2010	\$ 615	\$ 570	92.68%	\$ 45
6/30/2011	\$ 367	\$ 245	66.76%	\$ 167

*This is the first year the City implemented Sick Leave Retirement Benefits; therefore, the preceding two years information was not available.

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2009	\$ -	\$ 3,805	\$ 3,805	0%	\$ 68,107	5.59%
7/1/2010	\$ -	\$ 3,608	\$ 3,608	0%	\$ 70,321	5.13%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new

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estimates are made about the future. The required Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits. Since this is the first year of including this information in the financial report, the data presented is limited.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method - In the June 30, 2011 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) - Level Percentage of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

Discount Rate - 4.00% - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

Payroll Increases - 3.25% - This is the annual rate at which total payroll (\$68 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

Salary Increases - 4.00% - This is the annual rate at which individual salaries are expected to increase and is used in the determination of benefits.

NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations in fiscal year 2011 are detailed as follows:

	<u>Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
Other governmental funds:			
FEMA Reimbursement:			
Public works	\$ 16,500	\$ 16,593	\$ (93)

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NOTE 18. TRANSACTIONS WITH THE STATE OF CALIFORNIA

SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010 the Sacramento Superior Court upheld the legislation.

The payment of the SERAF was due on May 10, 2010 for fiscal year 2009-2010 and it was made in the amount of \$6,824,914. The second and final payment was due on May 10, 2011 for fiscal year 2010-2011 and was made in the amount of \$1,405,129. The legislation allowed these payments to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body. Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid by June 30, 2015. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish the payment, the Agency utilized \$8,230,043 from its available resources. In the accompanying financial statements, the amount paid to the County has been reported as a use of current year resources. Borrowings and/or suspended set-aside amounts relating to the Low and Moderate Income Housing Fund have been reflected as inter-fund advances between the accounting funds of the Agency.

NOTE 19. CALIFORNIA REDEVELOPMENT AGENCY UNCERTAINTY

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27. AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27, give redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amount to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments total \$400 million, annually. Each city or county's share of these payments is determined based on its proportionate share of state-wide tax increment.

CRA and the League contend that AB1X 26 and 27 are unconstitutional because they violate Proposition 22 which was passed by the voters in November, 2010. The effect of the legislation is to achieve a possible unconstitutional result, the use of redevelopment agencies' tax increment funds to benefit the State and other units of local government, by way of threatening of the dissolution of redevelopment agencies.

Therefore, the CRA and the League have requested that the Court issue a stay, suspending the effectiveness of AB1X 26 and 27 until the Court can rule on its constitutionality. CRA and the League also asked the Court to expedite the briefing and hearing of the case so that a decision can be rendered by the Court before January 15, 2012, when the first payments are due. On August 11th, the California Supreme Court agreed to hear the case and granted a partial stay which was subsequently clarified.

As of the time of the issuance of this report, the outcome of AB1X 26 and 27 upon the Agency is unknown and consequently the status and even future existence of the Agency is uncertain as such. In accordance with AB1X 27, the Agency has passed a resolution of intent to continue and will be required to make a payment to the State by January 15, 2012 to avoid dissolution. The Department of Finance issued their estimated payment amounts and the Agency filed an appeal regarding the calculation. The Department of Finance reviewed the Agency's appeal regarding the calculation and on October 15, 2011 determined the estimated payment [stands without revision OR will be revised], resulting in a payment amount of \$935,311.

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BUDGETARY INFORMATION

A two-year financial plan is prepared from which annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects, capital projects generally span more than one year and are effectively controlled at the project level.

In early January of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee. The budget is adopted by June 30.

The appropriated budget is prepared by fund, department and program. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed appropriations at the department level for the General Fund and at the fund level for all other legally budgeted funds. Department heads may make transfers of appropriations between line items within a program and across programs lines as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). The City Administrator is authorized to transfer amounts within individual departmental budgets, both between programs and between major object categories. All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. Budgeted amounts, as shown, reflect the originally adopted budget and the final budget that includes re-appropriated prior year encumbrances as well as any approved revisions as detailed below. Except for the General Fund, individual amendments were not material in relation to the original appropriations. The original and amended operating budget for the General Fund is shown in the table below.

Originally Adopted Budget	\$ 102,196,049
Re-appropriated Prior Year Encumbrances	551,357
Amendments	<u>(569,007)</u>
Amended Budget	<u><u>\$ 102,178,399</u></u>

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Budget appropriations for governmental funds lapse at year-end unless they are encumbered. Budget appropriations for capital projects and other multi-year projects do not lapse at fiscal year-end and are carried forward through completion of the project.

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CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 60,227,459	\$ 61,131,459	\$ 62,655,188	\$ 1,523,729
Franchise fees	3,266,000	3,266,000	3,480,215	214,215
Intergovernmental	1,584,733	675,599	1,029,915	354,316
Fines and forfeitures	3,103,069	3,103,069	3,065,835	(37,234)
Use of money and property	1,270,150	1,270,150	1,187,452	(82,698)
Charges for services	20,210,742	20,066,869	20,019,527	(47,342)
Other revenues	11,375,007	9,971,704	8,224,687	(1,747,017)
Total revenues	101,037,160	99,484,850	99,662,819	177,969
Expenditures:				
Current:				
Mayor and council	686,819	686,819	679,326	7,493
City attorney	1,867,900	1,933,533	1,933,533	-
City administration	1,792,122	1,849,353	1,748,521	100,832
Administrative services	1,641,770	1,673,770	1,570,489	103,281
Finance	4,189,067	4,189,067	4,076,027	113,040
Fire	21,441,666	21,146,297	21,051,745	94,552
Police	33,237,776	32,816,655	32,816,655	-
Public works	6,571,047	6,571,047	6,228,194	342,853
Parks and recreation	12,739,545	12,758,430	12,396,367	362,063
Library	4,085,880	4,258,939	3,794,882	464,057
Community development	9,930,320	10,494,761	9,611,010	883,751
Community promotions	2,899,004	2,686,594	1,868,433	818,161
Total expenditures	101,082,916	101,065,266	97,775,182	3,290,084
Excess (deficiency) of revenues over (under) expenditures	(45,756)	(1,580,416)	1,887,637	3,468,053
Other financing sources (uses):				
Transfers in	1,088,957	1,088,957	1,074,341	(14,616)
Transfers out	(1,113,133)	(1,113,133)	(1,060,644)	52,489
Total other financing sources (uses)	(24,176)	(24,176)	13,697	37,873
Net change in fund balances	(69,932)	(1,604,592)	1,901,334	3,505,926
Fund balances, beginning of fiscal year	24,644,646	24,644,646	24,644,646	-
Fund balances, end of fiscal year	\$ 24,574,714	\$ 23,040,054	\$ 26,545,980	\$ 3,505,926

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 20,089,000	\$ 20,089,000	\$ 19,956,632	\$ (132,368)
Use of money and property	425,000	425,000	807,747	382,747
Other revenues	22,800	22,800	10,104	(12,696)
Total revenues	<u>20,536,800</u>	<u>20,536,800</u>	<u>20,774,483</u>	<u>237,683</u>
Expenditures:				
Current:				
Community development	7,509,956	15,383,741	5,605,591	9,778,150
Debt service:				
Principal	480,000	480,000	480,000	-
Interest	156,595	156,595	156,595	-
Total expenditures	<u>8,146,551</u>	<u>16,020,336</u>	<u>6,242,186</u>	<u>9,778,150</u>
Excess of revenues over expenditures	<u>12,390,249</u>	<u>4,516,464</u>	<u>14,532,297</u>	<u>10,015,833</u>
Other financing uses:				
Transfers out	<u>(12,390,249)</u>	<u>(70,558,553)</u>	<u>(70,558,553)</u>	<u>-</u>
Net change in fund balances	-	(66,042,089)	(56,026,256)	10,015,833
Fund balances, beginning of fiscal year	<u>56,026,256</u>	<u>56,026,256</u>	<u>56,026,256</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 56,026,256</u>	<u>\$ (10,015,833)</u>	<u>\$ -</u>	<u>\$ 10,015,833</u>

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CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SOLID WASTE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ 23,000	\$ 23,000	\$ -	\$ (23,000)
Charges for services	17,234,930	17,234,930	16,727,681	(507,249)
Other revenues	254,102	254,102	222,575	(31,527)
Total revenues	<u>17,512,032</u>	<u>17,512,032</u>	<u>16,950,256</u>	<u>(561,776)</u>
Expenditures:				
Current:				
Public works	<u>17,988,658</u>	<u>19,376,916</u>	<u>18,226,078</u>	<u>1,150,838</u>
Excess (deficiency) of revenues over (under) expenditures	(476,626)	(1,864,884)	(1,275,822)	589,062
Other financing uses:				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	(526,626)	(1,914,884)	(1,325,822)	589,062
Fund balances, beginning of fiscal year	<u>2,716,208</u>	<u>2,716,208</u>	<u>2,716,208</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 2,189,582</u>	<u>\$ 801,324</u>	<u>\$ 1,390,386</u>	<u>\$ 589,062</u>

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CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ECONOMIC DEVELOPMENT FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Public works	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers in	-	58,168,306	58,168,306	-
Net change in fund balances	-	58,168,306	58,168,306	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ 58,168,306	\$ 58,168,306	\$ -

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MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the streets system, water and wastewater treatment plants, drainage systems, bridges, and sidewalks. Each major infrastructure network can be divided into subsystems. For example, the street network can be divided into concrete and asphalt pavements, curbs and gutters, sidewalks, streetlights, traffic control devices, landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date periodic inventory is performed; (2) condition assessments and summary of results using a measurement scale is completed, and (3) annual amounts to maintain and preserve the eligible infrastructure capital assets at the established condition assessment level are estimated.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The pavement network within the City has approximately 238 miles of paved surfaces, comprised of 125 miles of residential streets, 40 miles of principal arterial and arterial streets, 71 miles of collector streets and 3 miles of alleys. This equates to almost 40,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition assessment of the City's street network, including a pavement preservation program. Every two years the study is updated and identifies and records the updated condition assessment of all of the City's streets. The streets, which are primarily concrete and asphalt pavement, were defined as the physical features associated with the operation of motorized vehicles that exist within the limits of the right of way. City owned streets are classified based on land use, access, and traffic utilization into the following four classifications: residential, principal arterial, arterial, and collector. It is anticipated the condition assessment will be performed every two years covering at least one-third of the City's streets on a rotating basis. As part of the study, each street was assigned a physical condition based on a variety of potential defects. A Pavement Condition Index (PCI), a nationally recognized index, is assigned to each street and expressed in a continuous scale from 0 to 100, with 100 being a brand new street and 0 being a badly deteriorated street with virtually no remaining life. The following conditions were assigned:

<u>Condition</u>	<u>Rating</u>
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City's preservation program and maintenance estimates were developed to maintain the current infrastructure of streets at or above the average actual condition levels of the streets at the time each of the studies was conducted in 2001, 2002, 2004, 2006, 2008, and 2010, which were 74, 75, 72, 71, 71, and 69 ("Good"), respectively. This rating level allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. The City's formal policy with regard to preservation levels is to maintain a minimum average rating of no less than 60 ("Good") for all streets. During the past few years, the PCI has declined slightly due to budgetary constraints.

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As of June 30, 2011, the City's street system was rated an average PCI index value of 68 ("Good") with the detail condition as follows:

<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent to Good	83%
Fair	10%
Poor to Substandard	7%

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to minimize the deterioration through short-term maintenance activities such as pothole patching. The City expended \$3,229,503 on street maintenance for the fiscal year ended June 30, 2011. The City has estimated that the average amount of annual expenditures required for fiscal years 2011-2015 to maintain the City's streets at an average PCI rating of at least 70 is approximately \$4,700,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is \$11.9 million at June 30, 2011. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below:

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
2006-2007	\$ 6,355,188	\$ 3,230,977	71
2007-2008	6,021,356	3,135,532	71
2008-2009	8,335,724	2,385,539	71
2009-2010	7,160,438	3,045,354	69
2010-2011	6,706,045	3,229,503	69

The City's on-going street preservation program is also intended to maintain the condition rating of City streets. The preservation program is developed with a six-year cycle that is tied to 6 maintenance zones with 1 zone completed each year. The strategy objective is to maintain City streets over the next 6 years and maintain the overall condition of the road network, and involves both slurry seal and pavement resurfacing as preservation components. For pavements that are beyond economical preservation, reconstruction may be proposed to restore the pavement.

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Schedule of Funding Progress – PERS Defined Benefit Pension Plan

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
Miscellaneous Plan:							
2009	06/30/06	\$ 278,930,353	\$ 218,224,291	\$ 60,706,062	78.2%	\$ 46,724,590	129.9%
2010	06/30/07	299,764,650	242,421,975	57,342,675	80.9%	48,999,460	117.0%
2011	06/30/08	325,959,823	264,529,982	61,429,841	81.2%	52,403,289	117.2%
Safety Fire Plan:							
2009	06/30/06	\$ 108,541,856	\$ 88,617,640	\$ 19,924,216	81.6%	\$ 8,895,765	224.0%
2010	06/30/07	115,216,176	95,597,935	19,618,241	83.0%	9,491,027	206.7%
2011	06/30/08	122,124,602	101,954,942	20,169,660	83.5%	9,669,632	208.6%
Safety Police Plan:							
2009	06/30/06	\$ 135,385,172	\$ 111,388,655	\$ 23,996,517	82.3%	\$ 13,196,123	181.8%
2010	06/30/07	146,668,344	121,314,000	25,354,344	82.7%	14,075,549	180.1%
2011	06/30/08	158,045,346	129,677,993	28,367,353	82.1%	14,898,978	190.4%

Schedule of Funding Progress – Safety & Service Defined Benefit Pension Plan

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status
Safety Retirement Plan & Service Retirement Plan					
2005	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A
2007	07/01/05	\$ 1,962,848	\$ 836,932	\$ 1,125,916	42.6%
2008	07/01/05	1,962,848	836,932	1,125,916	42.6%
2009	07/01/05	1,962,848	836,932	1,125,916	42.6%
2010	07/01/08	1,586,468	189,749	1,396,719	12.0%
2010	07/01/10	1,337,000	226,000	1,111,000	16.9%

Note: Separate information for Safety and Service Retirement Plan is not available.

Schedule of Funding Progress – OPEB-Retiree Medical

Schedule of Funding Progress (000s Omitted)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2010	\$ -	\$ 33,009	\$ 33,009	0%	\$ 78,746	41.92%

OPEB information is not available in preceding years as the City adopted GASB Statement No. 45 in 2008.

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2011

Schedule of Funding Progress – OPEB-Sick Leave Retirement Benefits

<u>Schedule of Funding Progress (000s Omitted)</u>				
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Annual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contribution</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2011	\$ 412	\$ 245	59.47%	\$ 167

OPEB information is not available in preceding years as the City adopted GASB Statement No. 45 for this plan in 2010.

Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Traffic Safety Fund - To account for the receipt of fines collected pursuant to the California Vehicle Code. The State of California Government Code restricts use of these funds to traffic control devices, equipment and supplies related to traffic control or traffic safety and maintenance of public streets. The funds may not be used to pay compensation of traffic or police officers.

Creek Restoration/Water Quality Fund - To account for funds received from a two-percent tax increase in the City's transient occupancy tax. The proceeds are restricted for use in the City's Creeks Restoration and Water Quality Improvement Program. Measure B was approved by the voters of Santa Barbara County in an election held on November 7, 2000. The tax became effective on January 1, 2001.

Transportation Development Fund - To account for the receipt and disbursement of the City's share of gasoline sales tax pursuant to the Transportation Development Act of 1971. These funds are restricted for use in support of alternative transportation, including sidewalks and bikeways.

Community Development Block Grant Fund - To account for the receipt and disbursement of the City's Community Development Block Grant funds.

HOME Program Fund - To account for the receipt and disbursement of the City's Federal HOME grant funds.

County Library Fund - To account for funds received and expended for library services on behalf of the County (non-City) residents.

Street Sweeping Fund - To account for funds received and expended for street sweeping services.

Measure D Road Maintenance Fund - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure D. This measure was approved by the voters of Santa Barbara County in an election held on November 7, 1989, and became effective on April 1, 1990. The proceeds are restricted to transportation uses.

Wildland Fire Suppression Fund - To account for funds received and expended for wildland fire suppression.

Undergrounding Utility Fund - To account for funds received and expended for undergrounding utility services.

Police - Asset Forfeiture Fund - To account for assets confiscated by police special operations. These funds are restricted to use in support of police operations.

Miscellaneous Grants Fund - To account for resources received from various granting agencies.

FEMA Reimbursement Fund - To account for costs incurred as a result of the four federally declared disasters for storms and wildfires from January, 2005 through May 2009.

Police – Supplemental Law Enforcement Fund - To account for State voter-approved grant funds (AB 3229) restricted to public safety and law enforcement.

Police – Justice Assistance Grant Fund - To account for Federal grants funds received for local law enforcement activities.

Measure A Road Maintenance Fund (Unbudgeted) - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure A. This measure was approved by the voters of Santa Barbara County in an election held on November 4, 2008, and became effective on April 1, 2010. The proceeds are restricted to transportation uses.

General Capital Improvements Fund - To account for all capital projects financed by the General Fund.

Street Capital Improvements Fund - To account for streets-related capital projects financed by the General Fund.

Street Grant Capital Improvements Fund - To account for streets-related capital projects financed by Grants.

Creeks Restoration Capital Improvement Fund - To account for creeks restoration capital improvements funded by Measure B.

2002 Municipal Refunding Certificates of Participation Fund (Unbudgeted) - To accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation.



**CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2011**

Special Revenue								
	Traffic Safety	Creek Restoration/ Water Quality	Transportation Develop.	Community Dev Block Grant	HOME Program	County Library	Street Sweeping	Measure D Road Maintenance
Assets								
Cash	\$ -	\$ 70,715	\$ 7,385	\$ 11,438	\$ 4,628	\$ 17,324	\$ 2,267	\$ 73,901
Investments	-	2,724,628	284,556	440,692	178,298	667,484	87,345	2,847,410
Accounts receivable	-	253,594	-	-	-	-	-	-
Loans receivable	-	-	-	5,904,220	6,979,696	-	-	-
Advance to other funds	-	373,828	13,324	-	-	31,254	-	133,325
Cash and investments with fiscal agents	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 3,422,765</u>	<u>\$ 305,265</u>	<u>\$ 6,356,350</u>	<u>\$ 7,162,622</u>	<u>\$ 716,062</u>	<u>\$ 89,612</u>	<u>\$ 3,054,636</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ 32,430	\$ -	\$ 67,082	\$ 13,317	\$ 70,630	\$ 32,092	\$ 159,036
Salaries and benefits payable	-	43,630	-	7,373	828	61,159	8,165	-
Interest payable	-	-	-	-	-	-	-	-
Interfund payables	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	377,675	168,781	-	-	-
Deferred revenue	-	-	-	5,904,220	6,979,696	-	-	-
Total liabilities	<u>-</u>	<u>76,060</u>	<u>-</u>	<u>6,356,350</u>	<u>7,162,622</u>	<u>131,789</u>	<u>40,257</u>	<u>159,036</u>
Fund balances:								
Restricted	-	3,346,705	305,265	-	-	584,273	-	2,895,600
Committed	-	-	-	-	-	-	49,355	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>3,346,705</u>	<u>305,265</u>	<u>-</u>	<u>-</u>	<u>584,273</u>	<u>49,355</u>	<u>2,895,600</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,422,765</u>	<u>\$ 305,265</u>	<u>\$ 6,356,350</u>	<u>\$ 7,162,622</u>	<u>\$ 716,062</u>	<u>\$ 89,612</u>	<u>\$ 3,054,636</u>

Special Revenue

Wildland Fire Suppression	Under- grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement	Police - Justice Assistance Grant
\$ 2,399	\$ 9,825	\$ 28,402	\$ 17,043	\$ 1,393	\$ -	\$ 3,280
92,448	378,541	1,094,330	656,651	53,689	-	126,394
-	-	198	39,721	-	4,527	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 94,847</u>	<u>\$ 388,366</u>	<u>\$ 1,122,930</u>	<u>\$ 713,415</u>	<u>\$ 55,082</u>	<u>\$ 4,527</u>	<u>\$ 129,674</u>
\$ -	\$ 56,769	\$ 437	\$ 27,974	\$ -	\$ -	\$ 17,501
1,128	-	-	-	-	-	-
-	-	54,330	-	-	-	-
-	-	-	-	-	4,527	-
-	-	205,556	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,128</u>	<u>56,769</u>	<u>260,323</u>	<u>27,974</u>	<u>-</u>	<u>4,527</u>	<u>17,501</u>
93,719	331,597	862,607	685,441	55,082	-	112,173
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>93,719</u>	<u>331,597</u>	<u>862,607</u>	<u>685,441</u>	<u>55,082</u>	<u>-</u>	<u>112,173</u>
<u>\$ 94,847</u>	<u>\$ 388,366</u>	<u>\$ 1,122,930</u>	<u>\$ 713,415</u>	<u>\$ 55,082</u>	<u>\$ 4,527</u>	<u>\$ 129,674</u>

(Continued)

**CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2011**

	Special Revenue	Capital Projects				Debt Service	Total
		General	Street	Street	Creeks	2002	Nonmajor
	Measure A	Capital	Capital	Grant	Restoration	Municipal	Governmental
<u>Assets</u>		Improvements	Improvements	Capital	Capital	Refunding	Funds
					Improvement	Certificates	
Cash	\$ 16,455	\$ 50,982	\$ 117,406	\$ -	\$ 136,497	\$ -	\$ 571,340
Investments	634,021	1,964,345	4,523,655	-	5,259,198	-	22,013,685
Accounts receivable	191,567	-	778,882	2,005,941	-	-	3,274,430
Loans receivable	-	-	-	-	-	-	12,883,916
Advance to other funds	29,687	-	-	-	-	-	581,418
Cash and investments with fiscal agents	-	-	-	-	-	561,248	561,248
Total assets	<u>\$ 871,730</u>	<u>\$ 2,015,327</u>	<u>\$ 5,419,943</u>	<u>\$ 2,005,941</u>	<u>\$ 5,395,695</u>	<u>\$ 561,248</u>	<u>\$ 39,886,037</u>
 <u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 23,237	\$ 147,844	\$ 202,236	\$ 2,130,109	\$ 43,610	\$ -	\$ 3,024,304
Salaries and benefits payable	29,702	-	152,706	-	-	-	304,691
Interest payable	-	-	-	-	-	-	54,330
Interfund payables	-	-	-	215,523	-	-	220,050
Deposits	-	-	-	-	-	-	205,556
Unearned revenue	-	-	-	-	-	-	546,456
Deferred revenue	-	-	-	-	-	-	12,883,916
Total liabilities	<u>52,939</u>	<u>147,844</u>	<u>354,942</u>	<u>2,345,632</u>	<u>43,610</u>	<u>-</u>	<u>17,239,303</u>
 Fund balances:							
Restricted	818,791	79,788	2,689,805	-	5,352,085	561,248	18,774,179
Committed	-	1,248,273	1,358,507	-	-	-	2,656,135
Assigned	-	539,422	1,016,689	-	-	-	1,556,111
Unassigned	-	-	-	(339,691)	-	-	(339,691)
Total fund balances	<u>818,791</u>	<u>1,867,483</u>	<u>5,065,001</u>	<u>(339,691)</u>	<u>5,352,085</u>	<u>561,248</u>	<u>22,646,734</u>
Total liabilities and fund balances	<u>\$ 871,730</u>	<u>\$ 2,015,327</u>	<u>\$ 5,419,943</u>	<u>\$ 2,005,941</u>	<u>\$ 5,395,695</u>	<u>\$ 561,248</u>	<u>\$ 39,886,037</u>

(Concluded)



CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2011

	Special Revenue						
	Traffic Safety	Creek Restoration/ Water Quality	Transpor- tation Develop.	Community Dev Block Grant	HOME Program	County Library	Street Sweeping
Revenues:							
Taxes	\$ -	\$ 2,491,830	\$ 54,308	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	446,668	1,071,103	1,361,475	-
Fines and forfeitures	458,424	-	-	-	-	153,201	647,605
Use of money and property	-	145,234	5,252	-	-	29,804	-
Charges for services	-	-	-	-	-	-	-
Program income	-	-	-	655,069	180,741	-	-
Other revenues	-	627,527	-	5	77,888	239,503	-
Total revenues	458,424	3,264,591	59,560	1,101,742	1,329,732	1,783,983	647,605
Expenditures:							
Current:							
Public safety	33,040	-	-	-	-	-	-
Public works	-	1,444,413	19,945	-	-	-	830,118
Community services	-	-	-	-	-	1,758,875	-
Community development	-	-	-	1,101,742	1,329,732	-	-
Capital Outlay:							
Capital improvements	-	-	-	-	-	-	-
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	33,040	1,444,413	19,945	1,101,742	1,329,732	1,758,875	830,118
Excess (deficiency) of revenues over (under) expenditures	425,384	1,820,178	39,615	-	-	25,108	(182,513)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	330,562
Transfers out	(425,384)	(2,080,562)	-	-	-	-	(286,336)
Total other financing sources (uses)	(425,384)	(2,080,562)	-	-	-	-	44,226
Net change in fund balances	-	(260,384)	39,615	-	-	25,108	(138,287)
Fund balances, beginning of fiscal year	-	3,607,089	265,650	-	-	559,165	187,642
Fund balances, end of fiscal year	\$ -	\$ 3,346,705	\$ 305,265	\$ -	\$ -	\$ 584,273	\$ 49,355

Special Revenue

Measure D Road Maintenance	Wildland Fire Suppression	Under- grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement	Police - Justice Assistance Grant
\$ 423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	125,679	1,063,939	-	85,238	-
-	-	-	-	-	-	-	-
65,425	-	-	2,595	-	-	-	-
-	-	10,833	-	264,666	1,287,650	-	-
-	-	-	-	-	-	-	-
-	220,435	-	53,959	202,845	-	-	-
65,848	220,435	10,833	182,233	1,531,450	1,287,650	85,238	-
-	237,648	-	67,553	427,754	-	87,818	297,302
741,251	-	686,809	-	-	16,593	-	-
-	-	-	-	812,883	-	-	-
-	-	-	-	461,567	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
741,251	237,648	686,809	67,553	1,702,204	16,593	87,818	297,302
(675,403)	(17,213)	(675,976)	114,680	(170,754)	1,271,057	(2,580)	(297,302)
-	-	-	-	65,850	-	-	-
(250,000)	-	-	-	(21,029)	-	-	-
(250,000)	-	-	-	44,821	-	-	-
(925,403)	(17,213)	(675,976)	114,680	(125,933)	1,271,057	(2,580)	(297,302)
3,821,003	110,932	1,007,573	747,927	811,374	(1,215,975)	2,580	409,475
\$ 2,895,600	\$ 93,719	\$ 331,597	\$ 862,607	\$ 685,441	\$ 55,082	\$ -	\$ 112,173

(Continued)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2011

	Special Revenue	Capital Projects				Debt Service	
		General Capital	Street Capital	Street Grant	Creeks Restoration Capital	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
	Measure A	Improvements	Improvements	Capital	Improvements		
Revenues:							
Taxes	\$ 2,830,718	\$ -	6,943,508	\$ -	\$ -	\$ -	\$ 12,320,787
Intergovernmental	-	25,130	2,287,344	11,292,712	1,814,057	-	19,573,345
Fines and forfeitures	-	-	6,157	-	-	-	1,265,387
Use of money and property	3,978	-	-	-	-	28,745	281,033
Charges for services	-	-	411,376	-	-	-	1,974,525
Program income	-	-	-	-	-	-	835,810
Other revenues	-	13,266	62,063	-	27,000	-	1,524,491
Total revenues	2,834,696	38,396	9,710,448	11,292,712	1,841,057	28,745	37,775,378
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	1,151,115
Public works	2,107,794	-	-	-	-	-	5,846,923
Community services	-	-	-	-	-	-	2,571,758
Community development	-	-	-	-	-	-	2,893,041
Capital Outlay:							
Capital improvements	-	732,895	9,424,780	11,037,793	2,405,970	-	23,601,438
Debt Service:							
Principle retirement	-	-	-	-	-	254,100	254,100
Interest	-	-	-	-	-	96,345	96,345
Total expenditures	2,107,794	732,895	9,424,780	11,037,793	2,405,970	350,445	36,414,720
Excess (deficiency) of revenues over (under) expenditures	726,902	(694,499)	285,668	254,919	(564,913)	(321,700)	1,360,658
Other financing sources (uses):							
Transfers in	-	617,650	844,610	-	1,900,000	321,340	4,080,012
Transfers out	-	-	(150,000)	(594,610)	-	-	(3,807,921)
Total other financing sources (uses)	-	617,650	694,610	(594,610)	1,900,000	321,340	272,091
Net change in fund balances	726,902	(76,849)	980,278	(339,691)	1,335,087	(360)	1,632,749
Fund balances, beginning of fiscal year	91,889	1,944,332	4,084,723	-	4,016,998	561,608	21,013,985
Fund balances, end of fiscal year	\$ 818,791	\$ 1,867,483	\$ 5,065,001	\$ (339,691)	\$ 5,352,085	\$ 561,248	\$ 22,646,734

(Concluded)

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRAFFIC SAFETY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Fines and forfeitures	\$ 470,000	\$ 470,000	\$ 458,424	\$ (11,576)
Expenditures:				
Current:				
Public Safety	30,000	30,000	33,040	(3,040)
Excess of revenues over expenditures	440,000	440,000	425,384	(14,616)
Other financing uses:				
Transfers out	(440,000)	(440,000)	(425,384)	14,616
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION/WATER QUALITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,231,400	\$ 2,231,400	\$ 2,491,830	\$ 260,430
Use of money and property	175,900	175,900	145,234	(30,666)
Other revenues	-	-	627,527	627,527
Total revenues	<u>2,407,300</u>	<u>2,407,300</u>	<u>3,264,591</u>	<u>857,291</u>
Expenditures:				
Current:				
Public works	<u>1,979,718</u>	<u>2,083,166</u>	<u>1,444,413</u>	<u>638,753</u>
Excess of revenues over expenditures	427,582	324,134	1,820,178	1,496,044
Other financing uses:				
Transfers out	<u>(2,080,562)</u>	<u>(2,080,562)</u>	<u>(2,080,562)</u>	<u>-</u>
Net change in fund balances	(1,652,980)	(1,756,428)	(260,384)	1,496,044
Fund balances, beginning of fiscal year	<u>3,607,089</u>	<u>3,607,089</u>	<u>3,607,089</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 1,954,109</u>	<u>\$ 1,850,661</u>	<u>\$ 3,346,705</u>	<u>\$ 1,496,044</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRANSPORTATION DEVELOPMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 54,308	\$ 54,308	\$ 54,308	\$ -
Use of money and property	7,800	7,800	5,252	(2,548)
Total revenues	<u>62,108</u>	<u>62,108</u>	<u>59,560</u>	<u>(2,548)</u>
Expenditures:				
Current:				
Public works	<u>62,108</u>	<u>222,520</u>	<u>19,945</u>	<u>202,575</u>
Deficiency of revenues under expenditures	-	(160,412)	39,615	200,027
Fund balances, beginning of fiscal year	<u>265,650</u>	<u>265,650</u>	<u>265,650</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 265,650</u>	<u>\$ 105,238</u>	<u>\$ 305,265</u>	<u>\$ 200,027</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMMUNITY DEVELOPMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ 1,163,606	\$ 1,753,480	\$ 446,668	\$ (1,306,812)
Program income	250,000	250,000	655,069	405,069
Other revenues	-	-	5	5
Total revenues	<u>1,413,606</u>	<u>2,003,480</u>	<u>1,101,742</u>	<u>(901,738)</u>
Expenditures:				
Current:				
Community development	<u>1,413,606</u>	<u>2,003,480</u>	<u>1,101,742</u>	<u>901,738</u>
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
HOME PROGRAM
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 822,600	\$ 1,019,791	\$ 1,071,103	\$ 51,312
Program income	3,000	3,000	180,741	177,741
Other revenues	91,400	91,400	77,888	(13,512)
Total revenues	<u>917,000</u>	<u>1,114,191</u>	<u>1,329,732</u>	<u>215,541</u>
Expenditures:				
Current:				
Community development	<u>917,000</u>	<u>2,801,942</u>	<u>1,329,732</u>	<u>1,472,210</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,687,751)	-	1,687,751
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ (1,687,751)</u>	<u>\$ -</u>	<u>\$ 1,687,751</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
COUNTY LIBRARY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,338,622	\$ 1,338,622	\$ 1,361,475	\$ 22,853
Fines and forfeitures	121,200	121,200	153,201	32,001
Use of money and property	23,700	23,700	29,804	6,104
Other revenues	264,997	268,997	239,503	(29,494)
Total revenues	<u>1,748,519</u>	<u>1,752,519</u>	<u>1,783,983</u>	<u>31,464</u>
Expenditures:				
Current:				
Community services	<u>1,748,519</u>	<u>1,863,394</u>	<u>1,758,875</u>	<u>104,519</u>
Excess (deficiency) of revenues over (under) expenditures	-	(110,875)	25,108	135,983
Fund balances, beginning of fiscal year	<u>559,165</u>	<u>559,165</u>	<u>559,165</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 559,165</u>	<u>\$ 448,290</u>	<u>\$ 584,273</u>	<u>\$ 135,983</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET SWEEPING
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	\$ 810,810	\$ 810,810	\$ 647,605	\$ (163,205)
Total revenues	<u>810,810</u>	<u>810,810</u>	<u>647,605</u>	<u>(163,205)</u>
Expenditures:				
Current:				
Public works	<u>899,836</u>	<u>899,836</u>	<u>830,118</u>	<u>69,718</u>
Deficiency of revenue under expenditures	<u>(89,026)</u>	<u>(89,026)</u>	<u>(182,513)</u>	<u>(93,487)</u>
Other financing sources (uses):				
Transfers in	330,562	330,562	330,562	-
Transfers out	<u>(286,336)</u>	<u>(286,336)</u>	<u>(286,336)</u>	<u>-</u>
Total other financing sources (uses)	<u>44,226</u>	<u>44,226</u>	<u>44,226</u>	<u>-</u>
Net change in fund balances	(44,800)	(44,800)	(138,287)	(93,487)
Fund balances, beginning of fiscal year	<u>187,642</u>	<u>187,642</u>	<u>187,642</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 142,842</u>	<u>\$ 142,842</u>	<u>\$ 49,355</u>	<u>\$ (93,487)</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MEASURE D ROAD MAINTENANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ 423	\$ 423
Use of money and property	-	-	65,425	65,425
Total revenues	-	-	65,848	65,848
Expenditures:				
Current:				
Public works	-	4,129,757	741,251	3,388,506
Excess (deficiency) of revenues over (under) expenditures	-	(4,129,757)	(675,403)	3,454,354
Other financing uses:				
Transfers out	-	(250,000)	(250,000)	-
Net change in fund balances	-	(4,379,757)	(925,403)	3,454,354
Fund balances, beginning of fiscal year	3,821,003	3,821,003	3,821,003	-
Fund balances, end of fiscal year	<u>\$ 3,821,003</u>	<u>\$ (558,754)</u>	<u>\$ 2,895,600</u>	<u>\$ 3,454,354</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
WILDLAND FIRE SUPPRESSION ASSESSMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Other revenues	\$ 214,895	\$ 214,895	\$ 220,435	\$ 5,540
Total revenues	<u>214,895</u>	<u>214,895</u>	<u>220,435</u>	<u>5,540</u>
Expenditures:				
Current:				
Public Safety	<u>214,895</u>	<u>264,744</u>	<u>237,648</u>	<u>27,096</u>
Excess (deficiency) of revenues over (under) expenditures	-	(49,849)	(17,213)	32,636
Fund balances, beginning of fiscal year	<u>110,932</u>	<u>110,932</u>	<u>110,932</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 110,932</u>	<u>\$ 61,083</u>	<u>\$ 93,719</u>	<u>\$ 32,636</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
UNDERGROUNDING UTILITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Franchise fees	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	10,833	10,833
Total revenues	-	-	10,833	10,833
Expenditures:				
Current:				
Public works	-	867,687	686,809	180,878
Excess (deficiency) of revenues over (under) expenditures	-	(867,687)	(675,976)	191,711
Fund balances, beginning of fiscal year	1,007,573	1,007,573	1,007,573	-
Fund balances, end of fiscal year	\$ 1,007,573	\$ 139,886	\$ 331,597	\$ 191,711

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - ASSET FORFEITURE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 125,679	\$ 45,679
Use of money and property	-	-	2,595	2,595
Other revenues	-	-	53,959	53,959
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>182,233</u>	<u>102,233</u>
Expenditures:				
Current:				
Public Safety	<u>80,000</u>	<u>447,925</u>	<u>67,553</u>	<u>380,372</u>
Excess (deficiency) of revenues over (under) expenditures	-	(367,925)	114,680	482,605
Fund balances, beginning of fiscal year	<u>747,927</u>	<u>747,927</u>	<u>747,927</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 747,927</u>	<u>\$ 380,002</u>	<u>\$ 862,607</u>	<u>\$ 482,605</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MISCELLANEOUS GRANTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ 53,000	\$ 2,551,514	\$ 1,063,939	\$ (1,487,575)
Charges for services	612,378	169,385	264,666	95,281
Other revenues	-	352,914	202,845	(150,069)
Total revenues	<u>665,378</u>	<u>3,073,813</u>	<u>1,531,450</u>	<u>(1,542,363)</u>
Expenditures:				
Current:				
Public safety	-	1,030,168	427,754	602,414
Public works	-	22,812	-	22,812
Community services	612,378	1,310,665	812,883	497,782
Community development	53,000	1,470,920	461,567	1,009,353
Total expenditures	<u>665,378</u>	<u>3,834,565</u>	<u>1,702,204</u>	<u>2,132,361</u>
Excess (deficiency) of				
Deficiency of revenues				
under expenditures	<u>-</u>	<u>(760,752)</u>	<u>(170,754)</u>	<u>589,998</u>
Other financing sources:				
Transfers in	-	127,385	65,850	(61,535)
Operating transfers out	<u>-</u>	<u>-</u>	<u>(21,029)</u>	<u>21,029</u>
Total other financing				
sources (uses)	<u>-</u>	<u>127,385</u>	<u>44,821</u>	<u>(40,506)</u>
Net change in fund balances	-	(633,367)	(125,933)	549,492
Fund balances, beginning of fiscal year	<u>811,374</u>	<u>811,374</u>	<u>811,374</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 811,374</u>	<u>\$ 178,007</u>	<u>\$ 685,441</u>	<u>\$ 549,492</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FEMA REIMBURSEMENT FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Charges for services	\$ -	\$ -	\$ 1,287,650	\$ 1,287,650
Total revenues	-	-	1,287,650	1,287,650
Expenditures:				
Current:				
Public works	-	16,500	16,593	(93)
Excess (deficiency) of revenues over (under) expenditures	-	(16,500)	1,271,057	1,287,557
Fund balances, beginning of fiscal year	(1,215,975)	(1,215,975)	(1,215,975)	-
Fund balances, end of fiscal year	<u>\$ (1,215,975)</u>	<u>\$ (1,232,475)</u>	<u>\$ 55,082</u>	<u>\$ 1,287,557</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - SUPPLEMENTAL LAW ENFORCEMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 85,238	\$ (14,762)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>85,238</u>	<u>(14,762)</u>
Expenditures:				
Current:				
Public Safety	<u>100,000</u>	<u>100,000</u>	<u>87,818</u>	<u>12,182</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(2,580)	(2,580)
Fund balances, beginning of fiscal year	<u>-</u>	<u>2,580</u>	<u>2,580</u>	<u>-</u>
Fund balances, end of fiscal year	<u><u>\$ -</u></u>	<u><u>\$ 2,580</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,580)</u></u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - JUSTICE ASSISTANCE GRANTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public Safety	-	428,934	297,302	131,632
Excess of revenues over expenditures	-	(428,934)	(297,302)	131,632
Fund balances, beginning of fiscal year	-	409,475	409,475	-
Fund balances, end of fiscal year	\$ -	\$ (19,459)	\$ 112,173	\$ 131,632

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MEASURE A
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,790,259	\$ 2,790,259	\$ 2,830,718	\$ 40,459
Use of money and property	92,500	92,500	3,978	(88,522)
Total revenues	<u>2,882,759</u>	<u>2,882,759</u>	<u>2,834,696</u>	<u>(48,063)</u>
Expenditures:				
Current:				
Public works	<u>2,882,759</u>	<u>2,882,759</u>	<u>2,107,794</u>	<u>774,965</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	726,902	726,902
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	726,902	726,902
Fund balances, beginning of fiscal year	<u>91,889</u>	<u>91,889</u>	<u>91,889</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 91,889</u>	<u>\$ 91,889</u>	<u>\$ 818,791</u>	<u>\$ 726,902</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
GENERAL CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	\$ -	\$ 125,495	\$ 25,130	\$ (100,365)
Other revenues	250,000	250,000	13,266	(236,734)
Total revenues	<u>250,000</u>	<u>375,495</u>	<u>38,396</u>	<u>(337,099)</u>
Expenditures:				
Capital outlay:				
Capital improvements	<u>758,170</u>	<u>2,241,863</u>	<u>732,895</u>	<u>1,508,968</u>
Deficiency of revenues under expenditures	<u>(508,170)</u>	<u>(1,866,368)</u>	<u>(694,499)</u>	<u>1,171,869</u>
Other financing sources:				
Transfers in	558,470	558,470	617,650	59,180
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>558,470</u>	<u>558,470</u>	<u>617,650</u>	<u>59,180</u>
Net change in fund balances	50,300	(1,307,898)	(76,849)	1,231,049
Fund balances, beginning of fiscal year	<u>1,944,332</u>	<u>1,944,332</u>	<u>1,944,332</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 1,994,632</u>	<u>\$ 636,434</u>	<u>\$ 1,867,483</u>	<u>\$ 1,231,049</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 7,040,000	\$ 7,040,000	\$ 6,943,508	\$ (96,492)
Intergovernmental	2,387,670	2,387,670	2,287,344	(100,326)
Fines and forfeitures	-	-	6,157	6,157
Charges for services	439,000	439,000	411,376	(27,624)
Other revenues	60,000	60,000	62,063	2,063
Total revenues	<u>9,926,670</u>	<u>9,926,670</u>	<u>9,710,448</u>	<u>(216,222)</u>
Expenditures:				
Capital outlay:				
Capital improvements	<u>9,776,670</u>	<u>14,353,618</u>	<u>9,424,780</u>	<u>4,928,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,000</u>	<u>(4,426,948)</u>	<u>285,668</u>	<u>4,712,616</u>
Other financing sources (uses):				
Transfers in	-	250,000	844,610	594,610
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>100,000</u>	<u>694,610</u>	<u>594,610</u>
Net change in fund balances	-	(4,326,948)	980,278	5,307,226
Fund balances, beginning of fiscal year	<u>4,084,723</u>	<u>4,084,723</u>	<u>4,084,723</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 4,084,723</u>	<u>\$ (242,225)</u>	<u>\$ 5,065,001</u>	<u>\$ 5,307,226</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET GRANT CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,155,700	\$ 19,452,662	\$ 11,292,712	\$ (8,159,950)
Other revenues	-	-	-	-
Total revenues	<u>1,155,700</u>	<u>19,452,662</u>	<u>11,292,712</u>	<u>(8,159,950)</u>
Expenditures:				
Capital outlay:				
Capital improvements	<u>1,155,700</u>	<u>18,968,392</u>	<u>11,037,793</u>	<u>7,930,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>484,270</u>	<u>254,919</u>	<u>(229,351)</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(594,610)</u>	<u>594,610</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(594,610)</u>	<u>594,610</u>
Net change in fund balances	-	484,270	(339,691)	365,259
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 484,270</u>	<u>\$ (339,691)</u>	<u>\$ 365,259</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Intergovernmental	\$ -	\$ 4,325,587	\$ 1,814,057	\$ (2,511,530)
Other revenues	-	27,000	27,000	-
Total revenues	-	4,352,587	1,841,057	(2,511,530)
Expenditures:				
Capital Outlay:				
Capital improvements	1,900,000	9,934,848	2,405,970	7,528,878
Excess (deficiency) of revenues over (under) expenditures	(1,900,000)	(5,582,261)	(564,913)	5,017,348
Other financing sources:				
Transfers in	1,900,000	1,900,000	1,900,000	-
Net change in fund balances	-	(3,682,261)	1,335,087	5,017,348
Fund balances, beginning of fiscal year	4,016,998	4,016,998	4,016,998	-
Fund balances, end of fiscal year	<u>\$ 4,016,998</u>	<u>\$ 334,737</u>	<u>\$ 5,352,085</u>	<u>\$ 5,017,348</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

Intra-City Service Fund – To account for the costs of operating an automotive maintenance facility and ensuring that vehicles used by all City departments are properly maintained. This fund also accounts for City-wide building maintenance operations, custodial services, and communications.

Self Insurance Fund - To account for the cost of providing workers' compensation, unemployment, liability and employee health insurance coverage on a City-wide basis.

Information Systems Fund - To account for the cost of providing computer equipment and service to all departments and funds within the City.

Vehicle Capital Fund - To account for the costs of purchasing new vehicles for use within the City-wide organization.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2011

<u>Assets</u>	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Current Assets:					
Cash	\$ 76,967	\$ 236,792	\$ 30,253	\$ 204,495	\$ 548,507
Investments	2,965,531	9,123,583	1,165,648	7,879,171	21,133,933
Accounts receivable	-	-	-	-	-
Advances to other funds	-	427,195	-	338,464	765,659
Inventory, at cost	689,151	-	-	-	689,151
Total current assets	3,731,649	9,787,570	1,195,901	8,422,130	23,137,250
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	295,223	-	-	-	295,223
Improvements other than building	354,588	-	-	-	354,588
Equipment	305,865	-	-	19,532,110	19,837,975
Construction in progress	237,640	-	-	-	237,640
Less accumulated depreciation	(303,776)	-	-	(13,921,344)	(14,225,120)
Total capital assets, net	995,429	-	-	5,610,766	6,606,195
Total assets	4,727,078	9,787,570	1,195,901	14,032,896	29,743,445
<u>Liabilities</u>					
Current Liabilities:					
Accounts payable	213,383	78,559	1,779	74,254	367,975
Salaries and benefits payable	172,861	20,511	70,113	31,389	294,874
Compensated absences payable	234,417	20,255	98,829	22,956	376,458
Current portion claims payable	-	2,560,013	-	-	2,560,013
Total current liabilities	620,661	2,679,338	170,721	128,599	3,599,320
Non-current Liabilities:					
Compensated absences, net of current portion	26,046	2,251	10,981	2,551	41,829
Estimated claims payable, net of current portion	-	2,707,853	-	-	2,707,853
Total liabilities	646,708	5,389,442	181,702	131,150	6,349,002
<u>Net Assets</u>					
Invested in net assets, net of related debt	995,429	-	-	5,610,766	6,606,195
Unrestricted	3,084,941	4,398,128	1,014,199	8,290,980	16,788,248
Total net assets	\$ 4,080,370	\$ 4,398,128	\$ 1,014,199	\$ 13,901,746	\$ 23,394,443

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2011

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Operating Revenues:					
Charges for sales and services:					
Service charges	\$ 5,069,292	\$ 5,228,506	\$ 2,291,583	\$ 4,393,186	\$ 16,982,567
Other revenues	136,144	47,985	-	60,629	244,758
Total operating revenues	<u>5,205,436</u>	<u>5,276,491</u>	<u>2,291,583</u>	<u>4,453,815</u>	<u>17,227,325</u>
Operating Expenses:					
Salaries, wages and benefits	2,774,448	415,126	1,497,217	1,295,602	5,982,393
Materials, supplies and services	2,031,572	4,672,170	795,141	1,223,094	8,721,977
Depreciation	37,556	-	-	1,348,454	1,386,010
Total operating expenses	<u>4,843,576</u>	<u>5,087,296</u>	<u>2,292,358</u>	<u>3,867,150</u>	<u>16,090,380</u>
Operating income (loss)	<u>361,860</u>	<u>189,195</u>	<u>(775)</u>	<u>586,665</u>	<u>1,136,945</u>
Non-operating Revenues and Expenses:					
Investment income	-	154,521	-	137,090	291,611
Other	-	(717,988)	-	46,586	(671,402)
Total non-operating revenues (expenses)	<u>-</u>	<u>(563,467)</u>	<u>-</u>	<u>183,676</u>	<u>(379,791)</u>
Income (loss) before transfers	361,860	(374,272)	(775)	770,341	757,154
Transfers In	-	-	33,333	229,278	262,611
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	361,860	(374,272)	32,558	999,619	1,019,765
Net assets, beginning of fiscal year	<u>3,718,510</u>	<u>4,772,400</u>	<u>981,641</u>	<u>12,902,127</u>	<u>22,374,678</u>
Net assets, end of fiscal year	<u>\$ 4,080,370</u>	<u>\$ 4,398,128</u>	<u>\$ 1,014,199</u>	<u>\$ 13,901,746</u>	<u>\$ 23,394,443</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2011

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Cash flow from operating activities:					
Cash received from services	\$ 5,070,779	\$ 5,228,506	\$ 2,291,583	\$ 4,393,186	\$ 16,984,054
Cash payments for goods and services	(2,060,265)	(4,692,228)	(837,333)	(1,205,875)	(8,795,701)
Cash payments to employees for services	(2,779,419)	(398,897)	(1,484,515)	(1,285,427)	(5,948,258)
Other operating receipts	136,144	47,985	-	60,629	244,758
Net cash provided (used) by operating activities	367,239	185,366	(30,265)	1,962,513	2,484,853
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	33,333	229,278	262,611
Transfers to other funds	-	(717,988)	-	-	(717,988)
Received from (paid to) other funds	-	(427,195)	-	(338,464)	(765,659)
Net cash provided (used) by non-capital financing activities	-	(1,145,183)	33,333	(109,186)	(1,221,036)
Cash flows from capital and related financing activities:					
Proceeds from disposition of capital assets	-	-	-	46,586	46,586
Acquisition of capital assets	(274,879)	-	-	(2,021,578)	(2,296,457)
Net cash provided (used) by capital and related financing activities	(274,879)	-	-	(1,974,992)	(2,249,871)
Cash flows from investing activities:					
Cash received on investments	-	154,521	-	137,090	291,611
Proceeds from sales and maturities of investments	2,943,179	10,141,690	1,190,019	8,049,208	22,324,095
Purchase of investments	(2,965,531)	(9,123,583)	(1,165,648)	(7,879,171)	(21,133,933)
Net cash provided (used) by investing activities	(22,352)	1,172,628	24,371	307,127	1,481,774
Net increase (decrease) in cash	70,007	212,811	27,439	185,462	495,719
Cash, beginning of fiscal year	6,959	23,981	2,814	19,033	52,788
Cash, end of fiscal year	\$ 76,967	\$ 236,792	\$ 30,253	\$ 204,495	\$ 548,507
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 361,860	\$ 189,195	\$ (775)	\$ 586,665	\$ 1,136,945
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	37,556	-	-	1,348,454	1,386,010
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	1,487	-	-	-	1,487
(Increase) decrease in inventories	(82,676)	-	-	-	(82,676)
Increase (decrease) in accounts payable	53,983	64,299	(42,192)	17,219	93,309
Increase (decrease) in accrued claims	-	(84,357)	-	-	(84,357)
Increase (decrease) in accrued salaries payable	(6,199)	4,174	(1,266)	(3,066)	(6,357)
Increase (decrease) in accrued compensated absences	1,227	12,055	13,968	13,241	40,491
Net cash provided (used) by operating activities	\$ 367,239	\$ 185,366	\$ (30,265)	\$ 1,962,513	\$ 2,484,853
Noncash investing, capital, and financing activities:					
Change in fair value of investments	\$ -	\$ (23,667)	\$ -	\$ (20,826)	\$ (44,493)

Fiduciary Funds

FIDUCIARY FUNDS

PENSION TRUST FUNDS

Safety Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965.

Service Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.

PRIVATE PURPOSE TRUST FUNDS

Library Gifts Fund - To account for gifts and bequests made to the City library. Funds are used for book replacement.

Canine Unit Fund - To account for contributions made for the Police's Canine Unit program.

Russ Morrison Fund - To account for contributions made from the Santa Barbara Athletic Roundtable for the sole purpose of promoting junior golf.

AGENCY FUNDS

California Law Enforcement Telecommunications System Fund - To account for moneys received from various participating public agencies for the purchase of computer equipment for communication with the California Law Enforcement Tracking System (CLETS).

Revolving Rehabilitation Loan Fund - To account for moneys received from various public agencies for funding of rehabilitation loans to low and moderate income applicants.

Seismic Safety Assessment Fund - To account for the financial activities of the Seismic Assessment District #1.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
June 30, 2011

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
Assets			
Cash and investments with fiscal agents:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Other investments	-	682,339	682,339
Total cash and investments with fiscal agents	-	682,339	682,339
Total assets	-	682,339	682,339
Liabilities			
Accrued benefits payable	5,133	-	5,133
Due to other Governments	456,410	-	456,410
Total Liabilities	461,543	-	461,543
Net assets			
Held in trust for pension benefits	<u>\$ (461,543)</u>	<u>\$ 682,339</u>	<u>\$ 220,796</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2011

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 224,362	\$ 493,626	\$ 717,988
Total operating revenues	<u>224,362</u>	<u>493,626</u>	<u>717,988</u>
Investment Income:			
Net appreciation (depreciation) in fair value of investments	-	49,353	49,353
Interest	-	9,818	9,818
Dividends Earned	-	8,455	8,455
Total investment income	<u>-</u>	<u>67,626</u>	<u>67,626</u>
Less investment expenses:			
Banking, interest and fiscal agent expenses	<u>-</u>	<u>(5,722)</u>	<u>(5,722)</u>
Net investment income	<u>-</u>	<u>61,904</u>	<u>61,904</u>
Deductions			
Benefits	<u>106,775</u>	<u>99,070</u>	<u>205,845</u>
Total deductions	<u>106,775</u>	<u>99,070</u>	<u>205,845</u>
Net increase	117,587	456,460	574,047
Net assets held in trust for pension benefits:			
Beginning of fiscal year	<u>(579,130)</u>	<u>225,879</u>	<u>(353,251)</u>
End of fiscal year	<u>\$ (461,543)</u>	<u>\$ 682,339</u>	<u>\$ 220,796</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2011

	<u>Library Gifts</u>	<u>Canine Unit</u>	<u>Total</u>
Assets			
Cash and investments	<u>\$ 2,166,058</u>	<u>\$ 66,438</u>	<u>\$ 2,232,496</u>
Liabilities			
Accounts payable	<u>-</u>	<u>170</u>	<u>170</u>
Net Assets			
Held in trust:			
Police	-	66,268	66,268
Library	<u>2,166,058</u>	<u>-</u>	<u>2,166,058</u>
Total net assets	<u><u>\$ 2,166,058</u></u>	<u><u>\$ 66,268</u></u>	<u><u>\$ 2,232,326</u></u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2011

	<u>Library Gifts</u>	<u>Canine Unit</u>	<u>Total</u>
Additions			
Use of money and property	\$ 9,722	\$ 197	\$ 9,919
Contributions	<u>429,521</u>	<u>43,375</u>	<u>472,896</u>
Total additions	<u>439,243</u>	<u>43,572</u>	<u>482,815</u>
Deductions			
Community services	<u>267,344</u>	<u>12,261</u>	<u>279,605</u>
Net increase (decrease)	171,899	31,311	203,210
Net assets, beginning of fiscal year	<u>1,994,159</u>	<u>34,957</u>	<u>2,029,116</u>
Net assets, end of fiscal year	<u><u>\$ 2,166,058</u></u>	<u><u>\$ 66,268</u></u>	<u><u>\$ 2,232,326</u></u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Accounts receivable	\$ 44,821	\$ 101,328	\$ 119,804	\$ 26,345
Total assets	<u>\$ 44,821</u>	<u>\$ 283,822</u>	<u>\$ 302,298</u>	<u>\$ 26,345</u>
Liabilities:				
Accounts payable	\$ 5,509	\$ 66,995	\$ 71,460	\$ 1,044
Due to the City of Santa Barbara	32,367	-	19,411	12,956
Trust liability	6,745	5,600	-	12,345
Total liabilities	<u>\$ 44,621</u>	<u>\$ 72,595</u>	<u>\$ 90,871</u>	<u>\$ 26,345</u>
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	\$ 999,564	\$ 109,929	\$ -	\$ 1,109,493
Accounts receivable	25,450		25,450	-
Loans receivable	1,969,430	-	19,453	1,949,977
Total assets	<u>\$ 2,994,444</u>	<u>\$ 109,929</u>	<u>\$ 44,903</u>	<u>\$ 3,059,470</u>
Liabilities:				
Accounts payable	\$ 1,561	\$ 2	\$ -	\$ 1,563
Contributions	2,992,883	65,024	-	3,057,907
Total liabilities	<u>\$ 2,994,444</u>	<u>\$ 65,026</u>	<u>\$ -</u>	<u>\$ 3,059,470</u>
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	\$ 132,594	\$ 159,335	\$ 32,036	\$ 259,893
Special assessment receivable	145,000	-	15,000	130,000
Cash and investments held by fiscal agent	87,465	-	-	87,465
Total assets	<u>\$ 365,059</u>	<u>\$ 159,335</u>	<u>\$ 47,036</u>	<u>\$ 477,358</u>
Liabilities:				
Due to bondholders	145,000	-	15,000	130,000
Trust liability	220,059	159,335	32,036	347,358
Total liabilities	<u>\$ 365,059</u>	<u>\$ 159,335</u>	<u>\$ 47,036</u>	<u>\$ 477,358</u>
TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	\$ 1,132,158	\$ 451,758	\$ 214,530	\$ 1,369,386
Accounts receivable	70,271	101,328	145,254	26,345
Special assessment receivable	145,000	-	15,000	130,000
Loans receivable	1,969,430	-	19,453	1,949,977
Cash and investments held by fiscal agent	87,465	-	-	87,465
Total assets	<u>\$ 3,404,324</u>	<u>\$ 553,086</u>	<u>\$ 394,237</u>	<u>\$ 3,563,173</u>
Liabilities:				
Accounts payable	\$ 7,070	\$ 66,997	\$ 71,460	\$ 2,607
Due to other Governments	32,367	-	19,411	12,956
Due to bondholders	145,000	-	15,000	130,000
Trust liability	226,804	164,935	32,036	359,703
Contributions	2,992,883	65,024	-	3,057,907
Total liabilities	<u>\$ 3,404,124</u>	<u>\$ 296,956</u>	<u>\$ 137,907</u>	<u>\$ 3,563,173</u>

Statistical Section

STATISTICAL SECTION

This part of the City of Santa Barbara's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	126
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	133
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	137
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	142
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	145

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Santa Barbara
Net assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$23,763	\$63,294	\$73,738	\$80,483	\$301,827	\$305,449	\$319,070	\$331,171	\$340,824	\$325,209
Restricted	83,447	62,650	59,941	70,888	77,906	85,569	89,964	99,248	94,789	110,947
Unrestricted	50,741	33,516	31,314	24,228	33,815	36,228	36,948	32,329	33,148	22,625
Total governmental activities net assets	<u>\$157,951</u>	<u>\$159,460</u>	<u>\$164,993</u>	<u>\$175,599</u>	<u>\$413,548</u>	<u>\$427,246</u>	<u>\$445,982</u>	<u>\$462,748</u>	<u>\$468,761</u>	<u>\$458,781</u>
Business-type activities										
Invested in capital assets, net of related debt	\$126,385	\$138,066	\$139,780	\$135,336	\$245,095	\$255,451	\$275,594	\$285,547	\$290,085	\$309,659
Restricted	4,240	-	-	4,704	4,266	12,303	9,784	8,377	7,618	17,223
Unrestricted	66,958	59,199	64,564	75,088	78,148	84,159	87,716	83,993	83,606	86,528
Total business-type activities net assets	<u>\$197,583</u>	<u>\$197,265</u>	<u>\$204,344</u>	<u>\$215,128</u>	<u>\$327,509</u>	<u>\$351,913</u>	<u>\$373,094</u>	<u>\$377,917</u>	<u>\$381,309</u>	<u>\$413,410</u>
Primary government										
Invested in capital assets, net of related debt	\$150,148	\$201,360	\$213,518	\$215,819	\$546,922	\$560,900	\$594,664	\$616,718	\$630,909	\$634,868
Restricted	87,687	62,650	59,941	75,592	82,172	97,872	99,748	107,625	102,407	128,170
Unrestricted	117,699	92,715	95,878	99,316	111,963	120,387	124,664	116,322	116,754	109,153
Total primary government net assets	<u>\$355,534</u>	<u>\$356,725</u>	<u>\$369,337</u>	<u>\$390,727</u>	<u>\$741,057</u>	<u>\$779,159</u>	<u>\$819,076</u>	<u>\$840,665</u>	<u>\$850,070</u>	<u>\$872,191</u>

City of Santa Barbara
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:								
Administration	\$10,094	\$10,139	\$11,385	\$12,329	\$12,197	\$12,217	\$11,255	\$10,519
Public safety	42,653	45,653	48,836	51,186	54,395	55,394	55,564	54,707
Public works	18,235	19,915	39,887	45,284	44,528	46,914	43,082	44,407
Community services	20,778	19,607	20,959	22,032	22,983	23,610	21,657	21,251
Community development	16,528	17,002	20,804	17,939	19,948	19,676	29,336	21,314
Interest on long-term debt	3,506	4,081	4,069	3,810	3,408	3,186	3,040	2,876
Total governmental activities expenses	111,794	116,397	145,940	152,580	157,459	160,997	163,934	155,074
Business-type activities:								
Water	22,842	23,169	25,937	27,311	27,415	29,642	29,575	29,427
Wastewater	9,902	10,909	12,618	13,253	14,560	15,938	15,312	15,709
Airport	12,812	11,786	13,499	14,862	16,307	19,013	20,349	22,288
Waterfront	10,921	10,164	10,778	11,004	11,054	11,561	11,075	11,217
Parking	4,582	4,925	5,839	6,018	6,262	6,949	6,219	6,666
Golf course	1,825	1,877	1,924	2,033	2,086	2,118	2,028	1,972
Total business-type activities expenses	62,884	62,830	70,595	74,481	77,684	85,221	84,558	87,279
Total primary government expenses	\$174,678	\$179,227	\$216,535	\$227,061	\$235,143	\$246,218	\$248,492	\$242,353
Program Revenues								
Governmental activities:								
Charges for services:								
Administration	\$1,349	\$1,600	\$1,825	\$1,982	\$1,845	\$1,836	\$1,120	\$1,042
Public safety	7,313	8,092	9,186	9,195	9,401	9,448	9,807	9,610
Public works	5,707	7,822	21,781	22,255	23,902	25,683	26,444	25,949
Community services	4,552	4,699	4,784	4,945	5,211	5,369	5,078	4,854
Community development	4,094	4,259	5,670	5,548	5,608	5,403	5,251	5,427
Operating grants and contributions	11,064	10,006	12,447	15,979	15,099	13,576	17,150	13,782
Capital grants and contributions	2,821	3,599	2,313	4,178	8,733	11,102	5,469	11,318
Total governmental activities program revenues	36,900	40,077	58,006	64,082	69,799	72,417	70,319	71,982
Business-type activities:								
Charges for services:								
Water	25,153	26,492	27,410	30,477	32,610	32,263	32,359	31,158
Wastewater	10,120	11,379	12,096	12,559	13,449	13,896	14,140	14,770
Airport	12,268	13,187	13,939	14,861	15,451	15,298	14,621	15,863
Waterfront	9,625	9,899	10,253	10,894	11,177	10,754	11,275	11,313
Parking	4,844	4,968	5,859	6,592	6,669	6,615	6,661	6,579
Golf course	2,046	1,976	2,060	2,231	2,245	2,221	1,715	1,892
Operating grants and contributions	9	13	57	115	145	135	328	0
Capital grants and contributions	5,163	3,440	12,382	17,155	11,861	5,049	4,217	6,174
Total business-type activities program revenues	69,228	71,354	84,056	94,884	93,607	86,231	85,316	87,749
Total primary government program revenues	\$106,128	\$111,431	\$142,062	\$158,966	\$163,406	\$158,648	\$155,635	\$159,731

(Continued)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Net (expense)/revenue								
Governmental activities	(\$74,894)	(\$76,320)	(\$87,934)	(\$88,498)	(\$87,660)	(\$88,581)	(\$93,615)	(\$83,092)
Business-type activities	6,344	8,524	13,461	20,403	15,923	1,010	758	470
Total primary government net expense	<u>(\$68,550)</u>	<u>(\$67,796)</u>	<u>(\$74,473)</u>	<u>(\$68,095)</u>	<u>(\$71,737)</u>	<u>(\$87,571)</u>	<u>(\$92,857)</u>	<u>(\$82,622)</u>
General Revenues and Other Changes in								
Net Assets								
Governmental activities:								
Taxes								
Property	\$24,142	\$30,022	\$34,078	37,871	40,520	43,275	43,164	42,739
Sales & use	18,420	18,949	19,968	19,927	20,838	17,876	16,990	17,892
Transient occupancy	12,439	13,298	14,439	15,409	15,523	14,469	13,758	14,951
Utility users	11,325	11,977	12,422	13,133	12,525	12,654	11,711	13,887
Business license	1,926	2,037	2,169	2,214	2,252	2,302	2,245	2,207
Real property transfer	709	719	685	646	452	278	389	372
Franchise fees	2,056	2,124	3,260	3,583	3,181	3,284	3,351	3,480
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659	853	418	320	276	478
Investment income	2,888	3,410	3,955	4,762	6,643	4,846	2,275	1,912
Other revenue	1,953	2,024	4,384	3,111	3,862	5,952	5,199	4,755
Transfers	-	70	12	687	182	91	269	(29,560)
Total governmental activities	<u>80,427</u>	<u>86,927</u>	<u>96,031</u>	<u>102,196</u>	<u>106,396</u>	<u>105,347</u>	<u>99,627</u>	<u>73,113</u>
Business-type activities:								
Investment earnings	735	2,329	2,836	4,687	5,440	3,904	2,904	2,070
Transfers	-	(70)	(12)	(687)	(182)	(91)	(269)	29,560
Total business-type activities	<u>735</u>	<u>2,259</u>	<u>2,824</u>	<u>4,000</u>	<u>5,258</u>	<u>3,813</u>	<u>2,635</u>	<u>31,630</u>
Total primary government	<u>\$81,162</u>	<u>\$89,186</u>	<u>\$98,855</u>	<u>\$106,196</u>	<u>\$111,654</u>	<u>\$109,160</u>	<u>\$102,262</u>	<u>\$104,743</u>
Change in Net Assets								
Governmental activities	\$5,533	\$10,607	\$8,097	\$13,698	\$18,736	\$16,766	\$6,012	(\$9,979)
Business-type activities	7,079	10,783	16,285	24,403	21,181	4,823	3,393	32,100
Total primary government	<u>\$12,612</u>	<u>\$21,390</u>	<u>\$24,382</u>	<u>\$38,101</u>	<u>\$39,917</u>	<u>\$21,589</u>	<u>\$9,405</u>	<u>\$22,121</u>

Note:

Trend data is only available for the last eight fiscal years due to the implementation of GASB 34.

City of Santa Barbara
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Utility Users Tax	Trans- portation Tax	Business License Tax	Real Property Transfer Tax	Total
2002	\$21,366	\$17,511	\$11,805	\$9,996	\$4,897	\$1,769	\$307	\$67,651
2003	23,224	17,904	11,837	11,166	4,173	1,832	875	71,011
2004	24,142	18,420	12,439	11,325	4,621	1,926	709	73,582
2005	30,022	18,949	13,298	11,977	4,502	2,037	719	81,504
2006	34,078	19,968	14,439	12,422	4,632	2,169	685	88,393
2007	37,871	19,927	15,409	13,133	4,877	2,214	646	94,077
2008	40,520	20,838	15,523	12,525	4,778	2,252	452	96,888
2009	43,275	17,876	14,469	12,654	4,224	2,301	278	95,077
2010	43,164	16,990	13,758	11,711	4,441	2,245	389	92,698
2011	42,738	17,891	14,951	13,887	2,885	2,207	372	94,933

City of Santa Barbara
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 *
General Fund										
Reserved	\$7,101	\$6,120	\$4,720	\$4,395	\$4,866	\$5,175	\$7,060	\$6,249	\$8,959	\$0
Unreserved	29,899	29,859	28,147	25,428	24,949	23,033	17,965	17,973	15,686	-
Nonspendable										8,313
Restricted										463
Unassigned										17,770
Total general fund	<u>\$37,000</u>	<u>\$35,979</u>	<u>\$32,867</u>	<u>\$29,823</u>	<u>\$29,815</u>	<u>\$28,208</u>	<u>\$25,025</u>	<u>\$24,222</u>	<u>\$24,645</u>	<u>\$26,546</u>
All other governmental funds										
Reserved	\$87,923	\$92,211	\$123,964	\$130,317	\$117,371	\$114,672	\$118,960	\$122,736	\$113,565	\$0
Unreserved, reported in:										
Special revenue funds	543	511	90	(1,390)	(977)	1,346	2,582	3,015	1,419	-
Capital projects funds	10,370	7,416	4,032	539	-	-	-	-	-	-
Restricted										110,484
Committed										2,666
Assigned										2,208
Unassigned										(340)
Total all other governmental funds	<u>\$98,836</u>	<u>\$100,138</u>	<u>\$128,086</u>	<u>\$129,466</u>	<u>\$116,394</u>	<u>\$116,018</u>	<u>\$121,542</u>	<u>\$125,751</u>	<u>\$114,984</u>	<u>\$115,018</u>

* Note: In FY 2011, the City implemented Standard GASB 54, that required new fund balance classifications.

City of Santa Barbara
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$67,651	\$71,011	\$73,583	\$81,504	\$88,493	\$94,361	\$96,917	\$95,134	\$92,697	\$94,933
Franchise fees	2,067	2,050	2,383	2,497	3,260	3,583	3,181	3,284	3,351	3,480
Intergovernmental	14,422	14,265	11,957	9,744	9,061	14,599	18,296	19,328	16,724	20,603
Fines and forfeitures	2,649	2,924	3,792	4,072	4,547	4,016	4,335	4,167	4,392	4,331
Use of money and property	6,417	5,019	3,297	3,758	4,361	5,173	6,632	4,944	2,502	2,258
Charges for services	11,781	11,915	13,998	15,562	32,365	33,399	35,478	37,649	38,689	38,722
Program income	484	663	746	845	420	512	283	321	661	835
Other revenues	5,334	5,759	6,713	6,590	10,046	8,610	9,234	11,156	10,858	9,982
Total revenues	110,805	113,606	116,469	124,572	152,553	164,253	174,356	175,983	169,874	175,144
Expenditures										
General government/administration	9,902	9,663	9,656	9,806	11,025	12,008	12,007	11,931	10,941	10,008
Public safety	37,630	37,334	42,081	45,035	47,772	50,349	54,109	54,990	54,313	55,020
Public works	15,029	14,764	17,233	19,025	31,278	37,677	38,615	40,058	31,743	30,301
Community services	16,690	16,356	18,880	18,077	18,870	20,044	21,420	21,549	19,317	18,763
Community development	12,477	13,762	13,507	14,224	17,599	16,144	18,014	17,140	24,546	18,110
Capital outlay	7,521	11,960	7,334	15,775	28,434	19,217	17,169	19,855	29,279	30,875
Community promotions	2,295	2,252	2,267	2,439	2,253	2,373	1,884	1,824	1,824	1,868
Debt service										
Principal	4,490	4,239	5,415	4,750	5,411	5,571	5,076	5,341	6,282	5,724
Interest	2,974	3,350	3,259	3,935	3,904	3,687	3,459	3,126	2,981	2,776
Other charges	-	-	941	305	-	-	-	-	-	-
Total expenditures	109,008	113,680	120,573	133,371	166,546	167,070	171,753	175,814	181,226	173,445
Excess of revenues over (under) expenditures	1,797	(74)	(4,104)	(8,799)	(13,993)	(2,817)	2,603	169	(11,352)	1,699

(Continued)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other financing sources (uses)										
Transfers in	\$24,630	\$16,993	\$14,387	\$14,115	\$11,563	\$19,202	\$16,291	\$25,002	\$15,126	\$75,713
Transfers out	(24,373)	(16,638)	(13,846)	(14,164)	(11,400)	(18,368)	(16,553)	(21,765)	(14,118)	(75,477)
Proceeds from bond issuance	37,790	-	28,399	7,184	-	-	-	-	-	-
Total other financing sources (uses)	38,047	355	28,940	7,135	163	834	(262)	3,237	1,008	236
Net change in fund balances	\$39,844	\$281	\$24,836	(\$1,664)	(\$13,830)	(\$1,983)	\$2,341	\$3,406	(\$10,344)	\$1,935
Debt service as a percentage of noncapital expenditures	7.22%	6.84%	7.51%	7.30%	6.35%	6.06%	5.45%	5.31%	5.71%	5.50%

City of Santa Barbara
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Sales & Use Tax	Utility Users Tax	Property Tax	Real Property Transfer Tax		Transient Occupancy Tax	Business License tax	Transportation Tax	
				Tax	Tax			Tax	Total
2002	\$17,511	\$9,996	\$21,366	\$307	\$11,805	\$1,769	\$4,897	\$67,651	
2003	17,904	11,166	23,224	875	11,837	1,832	4,173	71,011	
2004	18,420	11,325	24,142	709	12,439	1,926	4,621	73,582	
2005	18,949	11,977	30,022	719	13,298	2,037	4,502	81,504	
2006	19,968	12,422	34,078	685	14,439	2,169	4,632	88,393	
2007	20,211	13,132	37,871	646	15,409	2,215	4,877	94,361	
2008	20,838	12,525	40,520	452	15,523	2,252	4,778	96,888	
2009	17,876	12,654	43,275	278	14,469	2,301	4,224	95,077	
2010	16,990	11,711	43,164	389	13,758	2,245	4,441	92,698	
2011	17,891	13,887	42,738	372	14,951	2,207	2,885	94,933	

City of Santa Barbara
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2002	\$8,641,674	\$637,216	(\$622,514)	\$8,656,376	\$1,094,347	\$227,297	(\$54,310)	\$1,267,334	1.00%
2003	9,262,486	703,068	(663,027)	9,302,527	1,164,940	237,653	(55,639)	1,346,954	1.00%
2004	9,986,688	741,575	(714,976)	10,013,287	1,218,914	248,409	(77,833)	1,389,490	1.00%
2005	10,768,306	738,641	(708,983)	10,797,964	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	11,921,748	738,200	(802,033)	11,857,915	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	13,005,939	757,276	(794,226)	12,968,989	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	13,996,764	775,075	(947,703)	13,824,136	1,651,716	301,018	(116,640)	1,836,094	1.00%
2009	14,896,566	908,857	(1,089,312)	14,716,111	1,851,532	336,783	(150,558)	2,037,757	1.00%
2010	15,140,213	919,545	(1,221,317)	14,838,441	1,938,383	342,544	(166,008)	2,114,919	1.00%
2011	15,225,027	908,676	(1,325,902)	14,807,801	1,918,388	353,339	(166,018)	2,105,709	1.00%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

Fiscal Year	<u>Direct Rates</u>	<u>Overlapping Rates</u>		<u>Total</u>
	<u>General</u>	<u>City Bonds</u>	<u>Schools Bonds</u>	
2002	\$1.000	\$ -	\$0.028	\$1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026
2007	1.000	-	0.026	1.026
2008	1.000	-	0.026	1.026
2009	1.000	-	0.035	1.035
2010	1.000	-	0.035	1.035
2011	1.000	-	0.035	1.035

Note:

In 1978 the voter of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1% based upon the assessed value of the property being taxed.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	Fiscal Year 2011		Fiscal Year 2002	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association ⁽¹⁾	\$86,419	0.58%	\$73,299	0.85%
Parker Fess Doubletree Hotel	82,095	0.55%	69,970	0.81%
Hitchcock Holdings, LLC	52,607	0.36%	-	0.00%
FW CA-Five Points Shopping Center, LLC	50,540	0.34%	-	0.00%
MCC BB Property, LLC	42,110	0.28%	-	0.00%
Albertson's	-	0.00%	26,767	0.31%
Nettleship, Patricia S Trust	42,028	0.28%	26,113	0.30%
Levon Investments, LLC	40,196	0.27%	-	0.00%
Chapala One, LLC	32,500	0.22%	-	0.00%
Due West, LLC	31,826	0.21%	-	0.00%
HDG Associates	29,103	0.20%	23,295	0.27%
Heiner, Gerald A Trust	-	0.00%	17,428	0.20%
Riviera Dairy Products	26,418	0.18%	17,255	0.20%
ESJ Centers	19,428	0.13%	23,447	0.27%
Ampersand Publishing, LLC	-	0.00%	15,618	0.18%
Watling, John W Jr. Trust	-	0.00%	13,646	0.16%
	<u>\$535,270</u>	<u>3.61%</u>	<u>\$306,838</u>	<u>3.54%</u>

(1) The City owns the property and leases the property to the Paseo Nuevo Mall Association which is responsible for the payment of property taxes related thereto.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$21,366	\$21,366	100%	\$ -	\$21,366	100%
2003	23,224	23,224	100%	-	23,224	100%
2004	24,143	24,143	100%	-	24,143	100%
2005	30,022	30,022	100%	-	30,022	100%
2006	34,078	34,078	100%	-	34,078	100%
2007	37,871	37,871	100%	-	37,871	100%
2008	40,520	40,520	100%	-	40,520	100%
2009	43,275	43,275	100%	-	43,275	100%
2010	43,164	43,164	100%	-	43,164	100%
2011	42,738	42,738	100%	-	42,738	100%

City of Santa Barbara
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Certificates of Participation	Tax Allocation		Loans	Revenue Bonds	Certificates of Participation		Loans			
		Bonds									
2002	\$4,184	\$63,660	\$	-	\$7,955	\$35,296		\$4,268	\$115,363	0.88%	\$1,272
2003	3,930	59,675		-	7,125	35,710		8,464	114,904	0.88%	1,270
2004	3,726	82,035		-	6,255	34,734		21,899	148,649	1.09%	1,641
2005	3,511	84,650		750	25,555	33,739		34,776	182,981	1.26%	2,021
2006	3,290	79,460		750	24,570	32,710		37,229	178,009	1.10%	1,988
2007	3,069	74,110		750	23,545	31,656		40,303	173,433	1.02%	1,939
2008	2,838	69,265		750	22,470	30,557		38,269	164,149	0.88%	1,818
2009	2,597	64,165		750	68,625	29,423		36,159	201,719	1.02%	2,234
2010	2,350	58,880		-	67,470	28,240		40,491	197,431	1.04%	2,172
2011	2,095	53,410		-	66,270	27,100		33,907	182,782	0.95%	2,048

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on page 142 for personal income and population data.

City of Santa Barbara
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Certificates of Participation	Tax Allocation Bonds	Less: Amounts Available in Debt Loans	Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2002	\$4,184	\$63,660	\$ -	\$5,412	\$62,432	0.72%	\$688
2003	3,930	59,675	-	5,342	58,263	0.63%	644
2004	3,726	82,035	-	1,247	84,514	0.84%	933
2005	3,511	84,650	750	1,251	87,660	0.81%	968
2006	3,290	79,460	750	1,258	82,242	0.69%	918
2007	3,069	74,110	750	1,260	76,669	0.59%	857
2008	2,838	69,265	750	561	72,292	0.52%	801
2009	2,597	64,165	750	561	66,951	0.45%	741
2010	2,350	58,880	-	562	60,668	0.41%	667
2011	2,095	53,410	-	561	54,944	0.37%	616

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 133 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 142.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2011
(amounts expressed in thousands)

2010-11 Assessed Valuation	\$16,133,703
Redevelopment Agency Incremental Valuation	2,271,727
Adjusted Assessed Valuation	<u><u>\$13,861,976</u></u>

	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
<u>Overlapping Debt Repaid with Property Taxes</u>			
Santa Barbara Unified - Elementary Bonds	\$39,988	95%	\$38,081
Santa Barbara Unified - High School Bonds	82,769	42%	34,432
Cold Spring Elementary Bonds	4,760	5%	251
Hope District Elementary Bonds	7,524	34%	2,566
Montecito Union Elementary Bonds	3,575	2%	59
Santa Barbara City College Bonds	44,905	37%	16,399
Total overlapping debt repaid with property taxes	<u><u>\$183,521</u></u>		<u><u>\$91,789</u></u>
<u>Direct and Overlapping General Obligation Debt</u>			
Santa Barbara County Certificates of Participation	\$77,830	21%	\$16,299
City of Santa Barbara Certificates of Participation	3,175	100%	3,175
Total direct and overlapping general obligation debt	<u><u>\$81,005</u></u>		<u><u>\$19,474</u></u>
Total direct and overlapping debt			<u><u>\$111,263</u></u>
<u>Ratio to 2010-11 Assessed Valuation</u>			
Total direct and overlapping debt			0.69%

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

¹ The estimated percentage applicable for the school districts and City College debt were obtained from the County of Santa Barbara. Population estimates for the City and County were used to calculate the estimated percentage applicable for the County General Fund Obligations. Of the County's 426,189 population, 21% (or 89,253) reside within the city's boundaries.

Sources: County of Santa Barbara

City of Santa Barbara
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed valuation	\$9,278,890	\$9,965,554	\$10,728,263	\$11,506,947	\$12,659,948	\$13,763,215	\$14,771,839	\$15,805,423	\$16,059,758	\$16,133,703
Coverage percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$2,319,723	\$2,491,389	\$2,682,066	\$2,876,737	\$3,164,987	\$3,440,804	\$3,692,960	\$3,951,356	\$4,014,940	\$4,033,426
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	\$347,958	\$373,708	\$402,310	\$431,511	\$474,748	\$516,121	\$553,944	\$592,703	\$602,241	\$605,014
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$347,958</u>	<u>\$373,708</u>	<u>\$402,310</u>	<u>\$431,511</u>	<u>\$474,748</u>	<u>\$516,121</u>	<u>\$553,944</u>	<u>\$592,703</u>	<u>\$602,241</u>	<u>\$605,014</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

City of Santa Barbara
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Water Revenue Bonds					Wastewater Revenue Bonds					Tax Allocation Bonds				
	Less		Net			Waste-water		Net			Tax		Debt Service		
	Operating		Available			Revenue		Revenue			Increment		Principal		
	Revenue	Expenses	Revenue	Interest	Coverage	Revenue	Expenses	Revenue	Interest	Coverage	Principal	Interest	Principal	Interest	Coverage
2002	\$22,813	\$17,931	\$4,882	\$375	6.75	\$8,802	\$8,177	\$625	\$35	1.36	\$11,853	\$4,345	\$2,739	1.67	
2003	23,172	18,149	5,023	395	6.93	9,495	8,423	1,072	21	2.35	12,851	3,985	3,239	1.78	
2004	25,153	18,194	6,959	420	9.53	10,120	7,920	2,200	-	4.89	12,945	5,210	3,075	1.56	
2005	26,492	18,547	7,945	435	10.96	11,379	8,284	3,095	680	2.28	13,946	4,535	3,701	1.69	
2006	27,410	19,770	7,640	460	10.49	12,096	8,828	3,268	829	2.41	15,273	5,190	3,733	1.71	
2007	30,477	20,170	10,307	480	14.20	12,559	9,320	3,239	808	2.39	16,831	5,350	3,522	1.90	
2008	32,610	21,351	11,259	510	15.38	13,471	10,718	2,753	789	2.03	18,081	4,845	3,302	2.22	
2009	32,263	22,694	9,569	535	13.07	13,915	11,493	2,422	775	1.79	20,038	5,100	3,053	2.46	
2010	32,359	22,601	9,758	560	13.35	14,141	10,746	3,395	760	2.51	20,124	5,285	2,869	2.47	
2011	31,158	21,996	9,162	590	12.50	14,771	10,920	3,851	742	2.85	19,957	5,470	2,680	2.45	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

**City of Santa Barbara
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	City Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Personal Income ⁽²⁾	June 30 Unemployment Rate ⁽³⁾
2002	90,696	\$13,107	\$32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,389	38,313	4.1%
2006	89,548	16,231	40,486	4.0%
2007	89,456	16,968	42,385	4.2%
2008	90,305	18,642	46,120	5.1%
2009	90,308	19,740	48,693	8.2%
2010	90,893	18,976	46,619	8.3%
2011	89,253	19,262	45,353	8.9%

Notes:

(2) (3) Data shown is for the metropolitan statistical area of Santa Barbara-Santa Maria-Goleta.

Sources:

- (1) California Department of Finance, Demographic Research Unit
- (2) U.S. Department of Commerce, Bureau of Economic Analysis
- (3) California Employment Development Department

City of Santa Barbara
Principal Employers
Ten Largest Employers - South Santa Barbara County
Current Year and Nine Years Ago

	<u>As of June 30, 2011</u>	<u>As of June 30, 2002</u>
<u>Employer</u>	<u>Number of Employees</u>	<u>Number of Employees</u>
University of California, Santa Barbara	9,723	9,500
County of Santa Barbara	4,025	4,215
Santa Barbara Cottage Hospital	2,500	1,951
Santa Barbara City College	2,000	1,570
Santa Barbara High School District	1,800	1,230
Sansum Medical Foundation Clinic	1,500	1,170
Raytheon Electronic Systems	1,450	1,875
City of Santa Barbara	1,013	1,069
US Postal Service	1,000	1,005
Santa Barbara Bank & Trust	950	820
Ten largest companies or organizations	<u>25,961</u>	<u>24,405</u>

Sources: Santa Barbara Chamber of Commerce, County of Santa Barbara, City of Santa Barbara, Santa Barbara County Economic Outlook, published by the UCSB Economic Forecast Project.

City of Santa Barbara
Full-time Equivalent City Government Employees by Function
Last Eight Fiscal Years

Function	Full-time Equivalent Employees as of June 30							
	2004	2005	2006	2007	2008	2009	2010	2011
Administration	111	111	107	110	113	113	106	103
Public safety	343	343	333	329	328	327	323	311
Public works	135	138	142	142	143	154	152	139
Community services	135	135	134	137	141	144	129	121
Community development	84	85	88	88	89	88	79	75
Water	59	56	60	64	68	62	62	68
Wastewater	55	55	53	53	53	50	49	49
Airport	50	51	53	53	54	54	53	54
Waterfront	46	46	46	46	46	46	46	46
Parking	31	31	32	34	36	38	34	34
Golf course	12	12	13	13	13	13	13	13
Total	<u>1,061</u>	<u>1,063</u>	<u>1,061</u>	<u>1,069</u>	<u>1,084</u>	<u>1,089</u>	<u>1,046</u>	<u>1,013</u>

Note:

Trend data is only available for the last eight fiscal years due to the implementation of GASB 34.

Source: City's Human Resources Department

City of Santa Barbara
Operating Indicators by Function
Last Six Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Police						
Criminal citations issued	1,990	2,209	2,013	2,898	1,642	1,847
Parking citations	64,300	54,928	60,984	54,692	54,377	50,252
Street sweeping citations	35,392	32,065	33,017	30,184	27,400	25,989
Fire						
Number of calls received	7,302	7,441	7,500	13,768	15,632	15,249
Engine company fire inspections	946	1334	1417	2668	1340	2611
Public works						
Street resurfacing (miles)	75	70	60	64.5	34.5	38
Tons of debris collected by street sweepers	1,056	1,545	1,673	2,122	2,399	2,210
Community services						
Facility permits processed	870	982	1,026	1,029	N/A	N/A
Library items checked out	726,375	740,703	730,598	758,046	689,391	656,488
Community development						
Building inspections completed	14,400	12,909	11,047	11,598	10,815	11,257
Total permits issued	3,000	2,478	2,704	2,696	2,425	2,308
Water						
Million gallons water treated	7,790	7,424	7,909	6,757	6,528	6,581
Percent of drinking water regulations met	100%	100%	100%	100%	100%	100%
Wastewater						
Million gallons waste water treated	3,100	2,774	2,875	2,750	2,761	2,897
Miles of wastewater collection system pipes cleaned	200	202	206	173	214	256
Percent of discharge requirements met	100.0%	99.9%	100.0%	99.9%	99.9%	99.99%
Airport						
Total number of annual passengers	858,352	832,396	833,164	772,718	745,167	747,531
Annual tons of airfreight	3,019	3,053	2,948	2,436	2,132	2,138
Waterfront						
Number of lease contracts managed	58	60	67	64	62	64
Number of parking permits distributed	677,731	720,184	756,377	772,588	697,788	652,923
Parking						
Vehicles parked in city lots	4,042,042	4,414,764	4,290,998	4,304,337	4,315,418	4,233,333
Golf course						
Rounds of golf	76,600	78,532	74,484	70,546	59,091	62,800

Note:

Trend data is only available for the last six fiscal years due to the implementation of GASB 34.

Source: Various City Departments

City of Santa Barbara
Capital Asset Statistics by Function
Last Six Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Police						
Stations	1	1	1	1	1	1
Fire						
Stations	8	8	8	8	8	8
Public works						
Streets (miles)	238	238	238	238	238	238
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382	14,661	25,661	24,455	54,196
Community services						
Parks acreage	1,765	1,765	1,765	1,765	1,765	1,765
Parks and sports facilities	59	59	59	59	54	54
Swimming	2	2	2	2	2	2
Tennis courts	34	34	34	34	34	34
Community buildings	8	8	8	8	12	12
Libraries	2	2	2	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	423,019	410,010	401,160	384,880	380,617	380,617
Water						
Number of distribution system reservoirs	14	14	13	13	13	13
Number of water supply reservoirs				1	1	1
Number of pump stations	12	12	12	12	12	12
Number of treatment plants	2	2	2	2	2	2
Number of wells	9	9	9	9	9	9
Wastewater						
Number of treatment plants	1	1	1	1	1	1
Number of lift stations	10	10	9	9	9	9
Airport						
Runways and Taxiways, paved surface (sq. footage)	5,793,480	6,011,280	6,842,079	6,842,079	6,842,079	6,842,079
Waterfront						
Number of harbor slips	1,133	1,133	1,133	1,133	1,133	1,137
Parking						
Number of parking structures and lots	14	14	14	14	14	14
Number of parking spaces	3,595	3,595	3,595	3,595	3,591	3,591

Note:

Trend data is only available for the last six fiscal years due to the implementation of GASB 34.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

This report is intended solely for the information and use of management, the City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Lughard, LLP

Brea, California
November 23, 2011